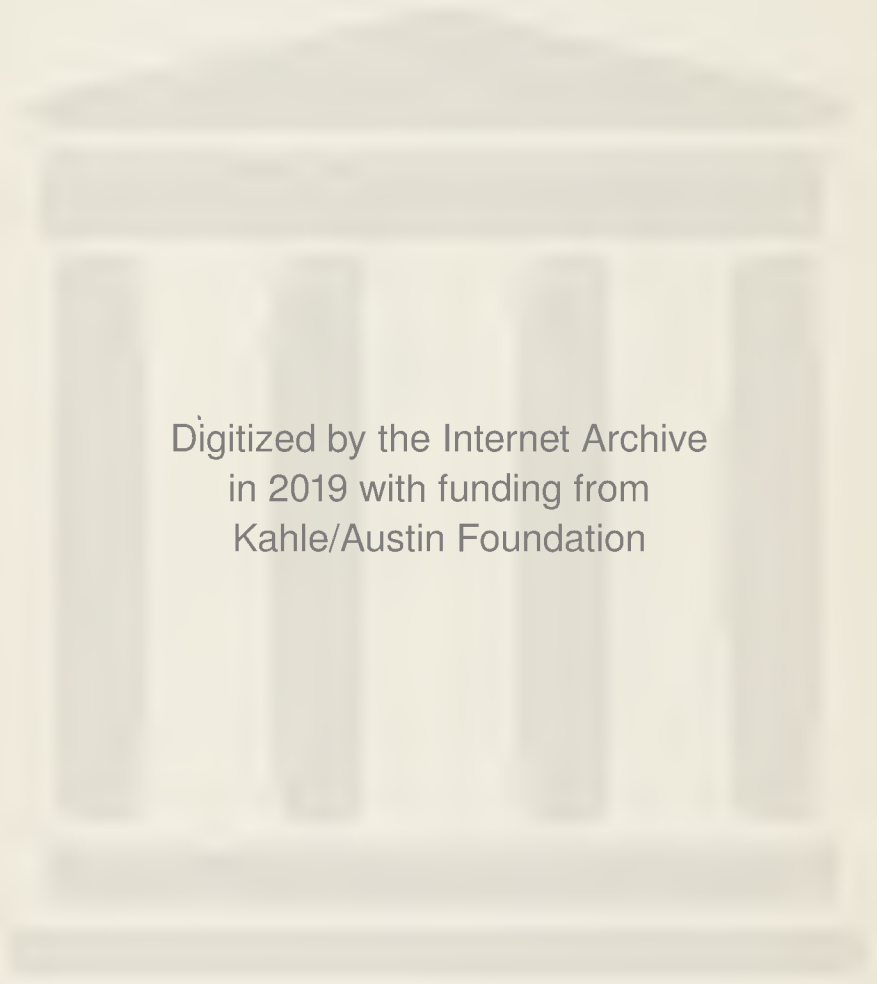


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Foreign Relations of the United States 1948

Volume VII

The Far East:
China



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PREFACE

This volume was prepared under the general supervision of E. Ralph Perkins, formerly Chief of the Foreign Relations Division, which is currently headed by Fredrick Aandahl.

The compilers of the volume were Ralph R. Goodwin, Francis C. Prescott, and Velma Hastings Cassidy. Preliminary planning and review of the volume was provided by Mr. Perkins, John G. Reid, and Mr. Prescott. Final review was the responsibility of S. Everett Gleason, formerly Chief of the Foreign Relations Division, and of Rogers P. Churchill and Mr. Reid.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including those of the Joint Chiefs of Staff.

The Publishing and Reproduction Services Division (Jerome H. Perlmutter, Chief) was responsible for the technical editing of this volume.

The index was prepared by Mr. Prescott.

WILLIAM M. FRANKLIN
*Director, Historical Office
Bureau of Public Affairs*

PRINCIPLES FOR THE COMPILATION AND EDITING OF "FOREIGN RELATIONS"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 2 FAM 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the regulation, as further amended, is printed below :

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts

which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States* is edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record is guided by the principles of historical objectivity. There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

1353 *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States*, the Historical Office:

- a. Refers to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refers to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.

CONTENTS

PREFACE	Page III
Political and Military Situation in China:	
I. Lull in military developments; rumors regarding possible Soviet mediation; reports on extent and forms of Soviet aid to Chinese Communists; returns on election to National Assembly; student demonstrations and riots at Canton and Shanghai; increasingly critical situation in Manchuria (January 1-February 21)	1
II. Ambassador Stuart's statement of February 21; Communist victories in Manchuria and deterioration of Government position; preparations for National Assembly meeting (February 21-March 28)	107
III. First session of National People's Assembly; Presidential and Vice Presidential elections (March 29-May 3)	170
IV. First meeting of Legislative Yuan; inauguration of President and Vice President of the Republic of China; appointment of new Cabinet (May 5-June 2)	223
V. Increasing popular dissatisfaction with National Government; anti-Government and anti-American student demonstrations; speculation regarding possible formation of regional governments and plans of Kuomintang Revolutionary Committee to establish provisional government (June 2-August 9)	270
VI. Ambassador Stuart's recommendations for future United States course of action and the Department's reaction; Chinese Government suppression of student demonstrations; formation of local government in North China by Communists; reports concerning Soviet policy in China (August 10-September 21)	405
VII. Revival of large-scale military activities in Shantung, Manchuria, and North China; Communist capture of Tsinan, Chinchow, Changchun, and Mukden; desperate position of Government forces (September 22-November 4)	467
VIII. Continued deterioration of Chinese Government position; unsuccessful attempts to change Chinese Executive Yuan; appeals by Chinese Government officials for United States statement of support (November 5-25)	540
IX. Continued Chinese Communist military offensives and successes; formation of new Chinese Cabinet under Sun Fo; negotiations concerning retirement of President Chiang Kai-shek and proposed peace talks with the Communists (November 26-December 31)	607
Sinkiang: Continued political deadlock in province; refusal by the Chinese Government to permit flights of American military attaché's airplane to Sinkiang; interest of the United States in possible termination of Sino-Soviet air agreement	729

	Page
Status of Tibet; visit of the Tibetan trade mission to the United States . .	755
Efforts by the United States to keep open routes of communication and supply for the consulate at Dairen	787
Policy respecting retention of consular posts in areas occupied by Chinese Communists; efforts to re-establish communication with the con- sulate general at Mukden	809
Discussions respecting possible move of the American embassy in event of departure of the Chinese Government from Nanking	850
INDEX	863

POLITICAL AND MILITARY SITUATION IN CHINA ¹

CHAPTER I: JANUARY 1-FEBRUARY 21, 1948

Lull in military developments; rumors regarding possible Soviet mediation; reports on extent and forms of Soviet aid to Chinese Communists; returns on election to National Assembly; student demonstrations and riots at Canton and Shanghai; increasingly critical situation in Manchuria

893.00/12-3147 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, December 31, 1947—6 p. m.
[Received January 2, 1948—12:38 a. m.]

408. Inasmuch crypto work Mukden in arrears, this message sent to Dept with request be relayed Nanking as 546, Tientsin as 140, Changchun as 393, and Peiping as 115.

Summary military situation Mukden December 30. Sources Wang Hwa-yi, ESD,² Assistant American Military Attaché, and miscellaneous. All material except personal opinion verified by more than one source.

Present situation Mukden serious but not critical. Communist strategy becoming apparent. Communists have massed all troops in northeast in Mukden-Hsinmin-Chinchow-Changwu-Faku areas. Total strength estimated 6 columns or 27 divisions. Very few Communist troops remaining Changchun-Kirin sector or areas east Mukden, one Communist column in [Anshan?]-Yingkow areas. Some days back large Communist units remained as potential threat outside outer Mukden defense perimeter while small mobile forces infiltrated through Govt lines and made spot attacks localities close proximity Mukden.

Obvious Communist intent create impression Mukden seriously threatened and cause Govt transfer all good troops to immediate Mukden area. Strategy having desired effect. Local civil officials and large property owners became exceedingly perturbed at sound gunfire and demanded added protection. Immediate fear seemed to be public uprising and fifth column activities within city rather than belief any mass Communist breakthru. As result Communist

¹ Continued from *Foreign Relations*, 1947, vol. VII, pp. 1 ff.

² External Survey Detachment No. 44, attached to the Commander of U.S. Naval Forces in the Western Pacific.

strategy units Govt new First Army [at] Changchun being withdrawn southwards together with much artillery and transportation (Changchun telegram 455 to Embassy³). These troops will move directly to Mukden, bypassing intermediate Communist strong points. Govt abandoned Ssuning kai December 30 by withdrawing efficient American trained and equipped Seventy-First Army to Mukden. (Virtually whole Communist fifth offensive centered around attempt recapture Ssuning which Communists now able take without engagement, giving them very valuable east-west railway.) Govt withdrew outposts outer defense line around Mukden and have settled in defensive positions awaiting Communist attacks. Kirin governor Liang Hua-hsun, now Mukden, has been ordered by Chen Cheng^{3a} return Kirin. Govt intelligence reported no appreciable number Communist troops Kirin area, Liang thereupon ordered by Chen send all good troops Mukden. Liang presently engaged this move.

Thus Govt has met Communist threat Mukden by consolidating its troops against Communist massing. From standpoint number of troops, equipment and fire power, Mukden now stronger than during many months past. Logistically and in long range planning Govt considerably weakened past several weeks by Communist move. Changchun and Kirin isolated and unless rout evolves and no other plans immediately these cities will soon be without efficient defense forces.

PNEH⁴ and Chen Cheng believe massing Communist troops near Mukden preliminary move in overall strategy by Communists rather than any serious intent attacking Mukden and do not anticipate attack on Mukden. They believe attacks too costly to Communists and not now sufficiently militarily or politically important warrant expenditure, equipment, and men necessary Communist military conquest. Communist main purpose cut off Mukden from food supply adjacent areas and force depletion presenting [*present?*] meager reserves in city. Second objective when this accomplished remove bulk forces to Hsinmin area and effectively destroy Mukden-Peiping rail line, precluding troops, military supplies, and food reaching Mukden next 3, 4 months. Validity this believe substantiated fact Communists have not [*now?*] drawn bulk forces from immediate area Mukden and have presently concentrated them Hsinmin area. Third objective: Inasmuch all Government troops now or will be Mukden-Hsinmin areas, Communists move suddenly northwards and take Changchun and Kirin while holding position at Ssuning to prevent Government reinforcements being

³ Sent as telegram No. 261 to the Department, December 26, 1947, not printed.

^{3a} Chief of Chinese General Staff commanding in Manchuria.

⁴ President (Chiang Kai-shek's) Northeast Headquarters.

sent. In summary Communists' immediate objectives in order importance:

1. Deplete Mukden food reserves and prevent other food supplies reaching city and at same time remove all obtainable rural food supplies outside Mukden outer defense lines.

2. Capture Hsinmin and completely destroy Mukden-Peiping line westward to Shansi.

3. Capture Kirin and Changchun. Mukden power administration officials instructed by Nanking not destroy Hsingfengman dam near Kirin but if necessary evacuate area. Turbines and generators to be operating and Government technical personnel to be present when and if Communists seize dam. This probably known Communists thru efficient intelligence network. Desire of comfort, prestige and economic advantages to be derived possession this dam may incite Communists make additional effort take Kirin area.

Mukden believed secure even though Communists decide all-out attack. Mukden defense extends depth all directions with well constructed fortifications controlling terrain. Sufficient first class troops man these defensive positions and will be supported by large numbers of inferior troops for reinforcement or replacement. Two airfields Mukden will probably be held as long as city in good hands. Both fields well defended with constructed fortifications placing them out range small arms fire. Food and ammunition supply for troops sufficient in Mukden without resupply withstand 3 months' siege. Another 3 months' supply Hulutao plus considerable civilian food. Consensus opinion Chinese military, American military and ConGen, unless some unusual and now unforeseen event occurs Mukden no danger being taken present offensive by military conquest. If civilian food shortage continues, internal trouble can be expected but well-fed military should be able cope this situation. Leader recent first food riot executed day following incident and no further major riots reported.

Officials cognizant fact merely holding Mukden not sufficient. Also realize cannot hold indefinitely without incoming supplies. Problem facing Government present time best way opening supply line. Chen Cheng not yet made decision. He is inclined believe should risk hazard and commit all force into attack, attempting get vastly superior number Communists into major engagement and neutralize them with superior Government fire-power. Principal opponent this strategy Wang Hua-yi who appears one of few persons enjoying Chen's confidence. Has pointed out to Chen even Government victory such circumstances could still cost Government considerable number troops [and] cannot afford lose because Communists have much superior manpower and in event go undefeated would mean immediate abandonment all northeast. Wang's thesis which he believes Chen will follow:

Concentrate all possible forces Mukden-Hsinmin-Chinchow areas and open rail line Mukden-Hulutao. That China [*Chen?*] has acceded this idea some extent indicated his orders Government Fifty-second and part new First Army upon arrival Mukden be immediately sent Hsinmin. Two divisions Government 92d Army (Tientsin telegram 346 [356?] to Embassy⁵ being sent Chinchow. When all troops in position, coordinated attacks Chinchow and Hsinmin eastwards and Mukden westwards will be launched. Only two sources troops necessary for execution this plan: 1. Disregard it, hope for time and move troops in force northeast, launch major counterattacks (this would necessitate holding Changchun and Kirin as springboards) or [garble] troops Changchun and Kirin area open supply route Mukden coupled with limited offensive operations necessitating virtual abandonment Changchun and Kirin in event Communists turn suddenly northward.

Inasmuch Hopei troops seemingly not available, Govt inclined follow second plan. Government feels time working their favor. Captured Communists inadequately clothed and many if not almost all suffered frozen hands or feet. Government believes if intense cold continues Communists will be unable launch heavy offensive and better-clothed Government troops will be able carry out limited offensive and reinforce Changchun and Kirin before Communists have opportunity strike in force. Little likelihood situation Mukden area will be changed in immediate future. Ease of tension Mukden will depend opposition Communists meet in anticipated effort take Hsinmin. One outcome recent events has been increasing admission upper echelons official circles Mukden, unless heroic and prompt measures are taken by Nanking toward strengthening Government grip on northeast, fall this area to Communists is certain even though such fall does not occur for many months.

WARD

893.113/12-3147: Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, December 31, 1947—6 p. m.

1594. Nov 30 issue *Monthly Report* published by Millard Publishing Co carries story ChiGovt after capture Chefoo found large supplies US arms ammo reportedly obtained by Communists from National Govt sources through arms ring. Emb requested report any info obtainable this story.

LOVETT

⁵ Repeated to the Department as telegram No. 312, December 27, not printed.

893.00/1-348

*The Consul General at Peiping (Clubb) to the Ambassador in China
(Stuart)^a*

No. 2

PEIPING, January 3, 1948.

SIR: I have the honor to transmit herewith a memorandum⁷ of conversation of December 31, 1947 between Mr. Marcy Ditmanson, an employee of UNRRA⁸ who has been stationed for the past eight months in Communist territory (principally in Hopeh Province), and Consul Fulton Freeman on the subject of present conditions in Communist controlled areas.

Summary of Memorandum: Mr. Ditmanson remarked a heightening of the tempo of anti-American feeling in Communist controlled areas, that feeling apparently being deliberately exacerbated by the Communist authorities. Mr. Ditmanson reported one occasion when the students of a Communist university indicated that he would be welcome as a representative of the American people but not if he represented the American Government. Those students showed by their questions to Mr. Ditmanson that various misapprehensions existed in their own minds in regard to the United States and its present role in China. A common question put to the Consulate's informant was why the American Government supported the Nationalist Government. Mr. Ditmanson reported that, from his observation, Soviet support of the Chinese Communists was apparently limited to moral support, he having seen no evidence of Russian advisers, supplies, or ammunition during his several months of residence in the Communist controlled area.

Mr. Ditmanson reported that it was freely admitted by Communist officials that, with the conclusion of the civil war, the Communists would desire to resume friendly relations with the United States, for they would need American financial and technical assistance in reconstruction of communications and utilities. The main concern of the Communists at present, however, was with land reform. That observer received the impression that the Communists at present did not have the intention, and lacked the personnel, to undertake major changes in respect to the administration of large cities (which they intend to capture), and that the majority of municipal government personnel would be expected to continue in their present jobs under Communist authority. It is of interest to note that Mr. Ditmanson reported that recent Communist military victories came as somewhat a surprise to them, and that they have been meeting with certain difficulties in respect to administration of those newly acquired towns, by reason of shortage of adequately trained administrative personnel. The report continues that, whereas there was previously talk of establishing a separate Communist government in control of the areas

^a Copy transmitted to the Department by the Consul General at Peiping without covering despatch; received January 28.

⁷ Not printed.

⁸ United Nations Relief and Rehabilitation Administration.

north of the Lunghai Railroad, the present sole objective of the Communists is a united China under a coalition government.

Mr. Ditmanson, in response to Mr. Freeman's pertinent question, after some consideration gave it as his judgment that an American consular official seeking to enter the Communist controlled areas for the purpose of obtaining information might be received, although probably not welcomed with open arms. *End of Summary.*

It was suggested in this Consulate's despatch No. 49 of December 22, 1947⁹ that, for the service of American ends in respect to the obtaining of intelligence and the application of American influence on China developments, there be explored the possibility of obtaining Communist acquiescence to the dispatch of one or more Foreign Service Officers into Communist territory on limited missions to meet and talk with Communist leaders. It is the opinion of this Consulate that the time is now ripe to endeavor to arrange for such a reporting mission into the Communist "Liberated Areas", and that any protracted delay might even—given certain developments from the American side—make it more difficult than at present to implement such a project. (If, by hypothesis, the United States Government should take steps toward the rendering of substantial military or financial assistance to the National Government in the latter's war against the Communists, it would probably become much more difficult, if not impossible, to send a Foreign Service Officer into Communist territory.) The apparent probability that there will be no major assistance forthcoming in the immediate future from the American side for the National Government, however, coupled with the circumstance that the Communists are evidently feeling fairly secure in their political position by reason of their recent military successes, makes it appear that a *démarche* in the direction indicated might find the Communists in a receptive mood.

There are various questions, the answers to which, if given by responsible Communist officials, would presumably be of substantial interest to the Embassy and Department in connection with the current development of American policy regarding China. Quite apart from matters of interest as pertaining to politico-economic and military intelligence generally, the following sample questions would appear to be of direct concern to Americans and their rights and interests in China: What would be the Communist attitude toward, and treatment of, American civilians in large cities which might be occupied by the Communists; American private property; existing treaty rights of the United States Government? Would American consular offices located in cities occupied by the Communists be assured of appropriate protection and facilities to enable them to continue normal

⁹ Not printed.

functions? Do the Communists already appreciate, and feel, the need for assistance from American capital and American technicians for the rehabilitation of communications and industrial plant and development of the economy of areas under their control (say, Manchuria)? What would be the Communist attitude toward the question of undertaking normal trade relations with American business interests? It would also be of interest to know the answers to other questions somewhat more removed from the field of immediate American interest: Do the Communists really visualize, as reported by Ditmanson, the possibility of establishing a coalition government; and, if so, what does the term "coalition" mean in their eyes? With what elements of the Kuomintang would they be willing to negotiate and cooperate? What other parties or groups would be represented in the "coalition?" In the event that coalition is rejected, or is discovered to be impossible, do the Communists aim at establishing a separate State in North China—perhaps north of the Lunghai line?

Probably not all of the answers to the above questions, and many similar ones which might be asked, have yet been put in final and irrevocable form by the Chinese Communists, and the logic of the situation would indicate that the United States is in a position to influence, at least to a degree, the final decisions. That potential influence could be foreshadowed, in the Communist mind, by the visit of a Foreign Service Officer. The least that would be accomplished, it appears certain, would be the obtaining of valuable intelligence in regard to existing economic conditions, morale, and organization in Communist territory; and, if Communist leaders could be led to set forth their views on various subjects (and Communists are by nature far from reticent in that regard), their statements would be of no little value for an assessment of the political situation—and perhaps of some value for the record. It is perhaps pertinent to remark in passing that any officer proceeding into Communist territory would have to expect strong attacks on American policy relative to the Far East. The line of those attacks can readily be determined by reference to past and present Communist propaganda (from Moscow as well as North Shensi). The officer should of course be prepared to explain American policy within judicious limits—and in the course of such discussions much information of a useful character would probably be divulged by the Communist side.

Against the above background, it is recommended that the Embassy authorize this Consulate to endeavor to make contact with the Communists with a view to obtaining Communist permission for the visit to Communist-controlled areas of an American consular officer. In regard to the selection of the officer, it is felt that two desiderata should

be served: 1) the officer should speak good Chinese, and 2) he should be reasonably senior and experienced. It would be my firm recommendation that, if the project is undertaken by the Peiping Consulate, either Mr. Freeman or myself should take the mission. In regard to the making of practical arrangements, it is observed that the CLARA¹⁰ radio station at Tientsin reputedly may be permitted to continue functioning, for liaison purposes, and contact could be made through that channel. The exchange of CNRRA¹¹ and CLARA personnel has now been completed, but the same route used for that exchange, along the Grand Canal from Tientsin to Ts'anghsien, would appear to be the most feasible one to attempt. World Health Organization personnel, be it noted, have already entered Communist territory by that route, at the time of the last exchange. Another possible route would be via Changchun into Communist controlled territory in Manchuria, but it is felt that a mission into Communist controlled areas there would probably be less fruitful than in China Proper, because of the presence in the former area of a strong Soviet influence.

The reason given to the Communist side for the travel could be the simple and direct one that it was desired to dispatch an American consular officer into Communist territory for observation of economic conditions, having in mind current American consideration of the question of American relief for China, and for meetings with Communist leaders in regard to the protection of American life and property. The Embassy would of course be in a position to give helpful direction regarding the formulation of such reason, which would have to take into consideration the National Government's sensitivity, already previously displayed, to any such foreign (especially American) contacts with its political opponents.

Respectfully yours,

O. EDMUND CLUBB

893.00/1-648 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, January 6, 1948—11 a. m.

[Received January 30—10:29 a. m.]

5. Increasing indication current Communist offensive not as successful as Communists planned and not as serious threat to Government as seemed early part offensive. Government troops fought with unusual vigor and spirit and Government commanders made few tactical errors. As result Communist casualties heavy north Mukden. Ssuping which was abandoned for time by Government later reoccu-

¹⁰ Chinese Liberated Areas Relief Administration.

¹¹ Chinese National Relief and Rehabilitation Administration.

pied [by?] two good Government units which now, in conjunction Government troops Tiehling area, have Communists eastward retreat potentially blocked. Communists have broken off engagement Hsinlitun, strategically located because possession by Communists could keep Mukden-Peiping rail communication broken indefinitely. Available reports indicate Communists sustained very heavy losses 10-day attempt take city. Government leaders not overly optimistic but think Communist reversal Hsinlitun may be second "Ssuning victory" which [was?] turning point Communist fifth offensive. Government troops now maneuvering for counteroffensive which if successful will either force Communists southwards to Chinchow area where they would be logistically weakened, or force them north or northwestwards where they would have to regroup entailing loss valuable time and perhaps precluding another large-scale offensive by them during cold months. Impossible foresee whether present vigor and spirit will continue [for?] Government troops and leaders, and if so whether Government will exploit opportunity and deal heavy blows over extended Communists.

Sent Embassy as 9, repeated Department 5, Changchun 7, Peiping 6, Tientsin 5.

WARD

S93.00/1-648 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, January 6, 1948—8 p. m.

[Received January 6—5: 32 p. m.]

26. *Pravda* today devotes prominent space to Tass report Mao Tse-tung¹² statement December 25 to Central Committee Chinese CP, text of which presumably available Department.

Embassy believes Mao's speech characterizing present China situation as "turning point revolutionary war" to be extremely significant. Not only space given it *Pravda* but fact it made at this juncture confirms in Embassy eyes coordination activation Soviet policy Far East and Kremlin's growing interest in China already noted (Embtels 3310, December 2,¹³ 3337, December 9¹⁴).

Embassy wishes draw Department's particular attention to (1) Mao's statement that "without firm leadership of Chinese CP no revolutionary united front can be victorious", (2) Mao's parroting of Soviet theory of imminent American economic crisis and (3) his

¹² Chairman of the Central Committee of the Chinese Communist Party.

¹³ Not printed.

¹⁴ *Foreign Relations*, 1947, vol. VII, p. 396.

appeal all anti-imperialist forces of East to unite against imperialism [and] reaction in their countries.

Red Fleet today publishes long, detailed and seemingly generally accurate analysis Chinese military situation. All papers also carry Tass denial AP reported statement by General Sui Chin-min that Soviet Union supplying arms [and] advisers Chinese CP.

During past 10 days in addition above, Soviet periodicals have carried at least six prominent articles on China. Such evidence convinces Embassy Kremlin spotlight now focussing eastwards.

Department pass Nanking as Moscow's 2.

SMITH

846G.00/1-748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 7, 1948—2 p. m.

[Received January 8—4:26 a. m.]

34. Embassy noticed Hong Kong dateline story appearing in Shanghai English language press January 2 of formation of "Kmt Revolutionary Committee" in Hong Kong under leadership of Li Chih-Sun ¹⁵ and with cooperation of various other prominent dissident Kmt members.

Embassy would appreciate investigation and report on this development.¹⁶

Sent Hong Kong 3; repeated Dept.

STUART

893.00/1-748

The Minister-Counselor of Embassy in China (Clark) to the Director of the Office of Far Eastern Affairs (Butterworth)

No. 1

NANKING, January 7, 1948.

DEAR WALT: You will recall that before leaving Washington I promised to write to you periodically on the situation in China as viewed from Nanking, sending copies to the consular offices in China for their background information. This is the first effort along those lines. It is the composite of the efforts of Ludden ¹⁷ and Schultheis,¹⁸

¹⁵ General Li Chi-shen was expelled from the Kuomintang in 1947 because of anti-Government activities.

¹⁶ The Consul General at Hong Kong replied to the Ambassador in letter of January 17, not printed; see unnumbered despatch of March 1 from the Consul General at Hong Kong, p. 126.

¹⁷ Raymond P. Ludden, First Secretary of Embassy in China.

¹⁸ Frederic D. Schultheis, Attaché, Embassy in China.

the finishing touches, additions and deletions being my own. Future letters will, I hope, be similarly composed.

We enter upon the new year with statements issued by Chiang Kai-shek,¹⁹ the Prime Minister²⁰ and other high Chinese officials all breathing supreme confidence in the future. The actual picture, on the contrary, is most discouraging. Anywhere other than China it would be hopeless. The course of events is still running against us and unless we can change the tide soon it may be too late. As the military situation deteriorates we find an increasing tendency to look anxiously toward the United States for a way out. This is demonstrated by the Chinese request to us for aid²¹ and by the increasing frequency with which individual Chinese come to us suggesting that their only hope is some vague form of American intervention or assistance. They don't like the Kuomintang; they don't want to be Communists; yet they don't know where else to turn. The country is prepared to accept an influx of American advisors should we decide to send them in response to the Chinese request.

Disintegration has been accelerated of late and a tendency toward regionalism has been noticeable. Our concern over the degree to which the process of disintegration has advanced is reflected in our circular telegram of December 31²² to the Consulates at Changchun, Mukden, Peiping, Tientsin, Tsingtao, Hankow and Shanghai in which we recommended that Americans resident in that part of China north of the Yangtze and east of Sian move from the interior to those ports from which their evacuation might be practical.

In spite of the publicly announced new year's optimism, the character of the current crisis and its gravity is well understood by the Chinese Government. We have reported the realization by the Gimo and other high-ranking officials that the situation is desperate, and we have mentioned the concern of ranking Chinese army officers, both in Nanking and in the field, over the military situation. Similar sentiments, though not so openly stated, are beginning to make their appearance in the press and Chinese in all walks of life are apprehensive of the future.

In actual fact, the deterioration of the military situation continues unabated with the Communists now interdicting river traffic on the Yangtze west of Hankow and the civil war no longer being contained in the North. The Communists' ability to halt river shipping west of Hankow seems to us most significant. Deprived for any consid-

¹⁹ Generalissimo Chiang Kai-shek, President of the National Government of the Republic of China.

²⁰ General Chang Chun.

²¹ For correspondence, see vol. VIII, "U.S. Economic Aid to China".

²² For text, see *ibid.*, "Evacuation of Americans from China" (Ch. I), airgram No. A-1, January 2, from the Ambassador in China.

erable period of Szechwan rice supplies, deterioration of the Government's military position may be expected to accelerate more sharply than we had anticipated. In the North, in spite of recent minor Government military successes time seems on the side of the Communists and the initiative remains definitely in their hands. The Government forces give the impression of being on an harrassed defensive, incapable of the *esprit* or leadership necessary to take the offensive.

The Nanking regime continues to lose popular support. Both ordinary people and civil servants are inclined more and more to attribute the ills of the times to bad government and in the North the Communists, through offers of higher pay and better working conditions, are actually luring Government workers from their jobs. Also Peace Preservation Corps seem to be growing in importance in various quarters and there are signs that provincial governors are beginning to mend their political fences in anticipation of the day when, deprived of support of Nanking, they will have to come to terms with or fight the Communists unaided by Nanking.

A budget in reasonable balance which would relieve inflation remains an impossibility so long as revenue is collected in depreciated currency and the Government must continue to finance the civil war. Government efforts to curtail inflation through limiting the issuance of currency may have held down the black market rate in recent weeks, but this measure has also acted in restraint of trade. The repugnance with which the populace regards the monetary system has not diminished. The tendency for all classes to exchange all surplus cash for commodities persists and drives commodity prices higher. The Government recently has been considering the possibility of reducing the number of persons in civil and military employment while at the same time improving the status of those remaining through increased taxation, but has found that by the time the increased revenue would be collected and available it would be in dollars so depreciated as to effect no improvement in the situation. The Government feels, therefore, that currency stabilization must in reality proceed [*precede?*] military reform.

In spite of the prevailing and spreading anti-Government feeling there is still no real reason to believe that the mass of the Chinese people are irrevocably committed to the support of anti-Government forces and even now it may not be too late to bring support to a regime having a dynamic program aimed at seeking the support of the agrarian population of any considerable area. Naturally this has all been said before but it is becoming increasingly apparent that it is no longer enough for a Chinese Government to be merely anti-Communist. Positive, inspirational leadership is needed. We can point to the inauguration of the new Constitution, to the holding of elec-

tions, and to similar events as milestones toward a stabilized and improved situation, but these events viewed in the context of the over-all situation come too late to deflect the trend toward chaos unless they are accompanied by aid from abroad and progress toward reform at home.

As for the Communists, their propaganda continues to belabor the American "imperialist elements" as warmongers, though by inference it distinguishes between "imperialist" and other elements, presumably better disposed toward them. An American employed by UNRRA recently returned from Communist controlled areas in Hopei, reports that the local populace was well disposed to him as an individual although they deplored his country's China policy.²³ The local leaders told him that when they had completed their conquest of North China—and they are already training administrators for the larger cities there—they anticipated developing at least commercial relations with the United States and that they recognized that American participation in their economic development of North China was essential to its success. This may, of course, be mere propaganda. Time alone will tell.

Before closing I should like to comment briefly on the esteem, or lack of it, in which the United States is held in China in these days. The Government naturally looks to us as its political savior. It is somewhat less grateful for past assistance than would seem warranted and ever eager for whatever future benefits we may bestow. In recent months, however, I believe the Government has become sufficiently aware of its plight that it will accept a reasonable amount of control of its domestic activities as the price of our aid. No one likes to be beholden to another, however, and we will be in for a lot of criticism and some ill-will which will require an exceedingly effective publicity program to overcome.²⁴

Sincerely yours,

LEWIS CLARK

800.00B Communist International/1-848: Telegram

The Vice Consul at Changchun (Siebens) to the Secretary of State

CHANGCHUN, January 8, 1948—9 a. m.

[Received January 12—10:36 a. m.]

2. Reference Contel November 28, 3 p. m.²⁵ Recent information regarding Comintern and other Soviet activity north Manchuria ob-

²³ See despatch No. 2, January 3, from the Consul General at Peiping, p. 5.

²⁴ See Mr. Clark's letter of February 17, 1948, to Mr. Butterworth, Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 901.

²⁵ Not printed.

tained various sources but primarily through Chinese Intelligence officer concerned that area follows. Information believed fairly reliable though subject to some error in detail. Parts obtained from Chinese Intelligence not believed to represent Nationalist effort to cry "wolf" and checks with miscellaneous information on subject from other sources.

Chief Soviet Intelligence and Propaganda Agency Communist-controlled areas Manchuria named International Directing Group with headquarters Harbin in former Japanese department stores seized by Russians 1945 and operated since then as "The International Book Store". Size of building far out of proportion for ostensible needs. Book store visited by majority Soviet visitors Harbin and officials connected with store present at most Chinese Communist meetings to which Soviets invited. Source states Chinese Communists held military and political joint conferences at Harbin November 27 at which responsible official International Directing Group stated that Group responsible for certain Comintern activities. Directing Group alleged organized Harbin with Communists' consent September 10, 1947. However, Soviet Intelligence center in book store operating since shortly after V-J Day with substantially same personnel as doing intelligence work Manchuria previously and with additional personnel left behind by Soviet forces upon retirement 1946.

First project Directing Group after establishment was launching in September of Communist political and educational activities through organization six units active at Peian, Mutankiang, Heiho, Tsitsihar, Harbin, Chiamussu. Organization expanded early October into 11 units, some of which sent into rural areas. Work these units apparently to organize Communist propaganda groups various localities. Personnel these units reported consisting total 140 persons: 65 Russians, 45 Chinese, 16 Japanese, 14 Koreans. Males and females employed all groups except Japanese. Project completed end November and personnel brought back to Harbin and disbanded, majority Russians returning to International Book Store and others dispersed various localities.

Secretly connected with directing group is Soviet military survey detachment, first discovered by sources December 1947 and which appears in some respects analogous to American Group,²⁶ wears green uniforms similar to those Chinese Communist Railway Bureau and ostensibly concerned only with cartographic work. However, source stated group also engaged in considerable amount general intelligence work and equipped with 24 small radios in addition

²⁶ External Survey Detachment No. 44, attached to the Commander of U. S. Naval Forces in the Western Pacific.

survey instruments. In recent months this group particularly active in survey work Mutankiang and Yenchi, Tumen, Hungwen areas Manchuria. Total number this group swollen to 219 end of November by addition 94 Japanese Army officers indoctrinated in Russia and sent Manchuria to aid group. Headquarters survey group Harbin also secretly adjunct to directing group and coordinated with survey detachment is Soviet Trade Bureau, stated by source to have been organized early 1946 with substantial number underground political workers Soviet Communist Party. Headquarters also at Harbin. Organization maintains active relations with Tschurin Company and Sino-Soviet Motion Picture Society. Though outward *raison d'être* this organization trade and commerce, source states it engaged in considerable amount intelligence work.

All three above-mentioned agencies reported by source as Comintern dominated. However, source confirms that Comintern activities Manchuria still primarily clandestine as of latter part December. Unconfirmed rumors re suspect nature, International Book Store and Soviet trade organization (Vneshtorg) have in past few months reached this office but operation military survey detachment previously unknown to me.

It is becoming increasingly evident that Soviet influence north Manchuria growing. As frequently reported concrete evidence active Soviet military assistance to Chinese Communists lacking, and such aid probably continues to be small. Chief contribution that line made shortly after V-J Day with turnover substantial amount Japanese supplies well equipped Kwantung Army to Chinese Communists, and now probably restricted to trade involving petroleum products and items Japanese armament initially removed by Soviets which Chinese Communists may desire and which difficult to trace to source.

Soviets probably do not desire see pace Communist military success outstrip pace own encroachment on control Chinese Communist Party. Believe that although elements schism exist in ranks Communists Manchuria, Soviets will endeavor through Chinese international Communists on top levels Manchuria such as Li Li-san²⁷ and General Chou Pao-chung,²⁸ to keep potentially dissident element satisfied until time Soviet power in Chinese Communist ranks judged sufficient to permit purge of "betrayers of the revolution". Extent of progress Soviets this direction difficult assess from here but palpable.

While Soviet machinations to control Manchuria perhaps not as obvious as similar efforts Europe and have not progressed as far, believe it axiomatic that magnificence Manchurian prize inspiring pow-

²⁷ Political Adviser to Gen. Lin Piao, supreme Communist commander in Manchuria.

²⁸ Communist military commander in the Kirin area.

erful and determined effort on Soviet part. Circumstances playing into Soviet hands to give them economic hegemony North Manchuria. Tschurin Company especially receiving highly preferential treatment and reputed to have supplied considerable capital for development grain mills and other light industry North Manchuria. Substantial grain trade with Soviets unquestionably exists. Unconfirmed reports from university students here (some of whom refugees from Communist areas) indicate Soviets successful in attractive offers to selected Manchurian students for study in Soviet Union at no cost. These students reported leaving via Manchuria. Chinese intelligence officer has also mentioned this, alleging school for training future Chinese Communist political leaders exists near Moscow and Northeast Provinces well represented there.

Please relay to Embassy Nanking.

SIEBENS

893.00/1-848 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 8, 1948.

[Received January 14—2:29 p. m.]

A-11. The Department may have noted that the general tone of the message issued by the Generalissimo on New Year's Day (re Embassy's airgram A-4 of January 2²⁹), was one of great confidence, alleging that Communist armies would be destroyed during 1948, though the work of pacification would require a longer period.

This note of optimism and confidence which was echoed in statements by other prominent National leaders at the same time is startling since it is known to the Embassy that the real mood of the Generalissimo is one of depression and discouragement and since it is also known that the situation of the National Government both militarily and economically is worse than it has been at any time since the end of the war against Japan.

The Embassy believes this contradiction may arise from a Chinese tendency to believe that saying a thing makes it so. It is quite apparent that morale in the Government is at an extremely low ebb and needing reenforcement. Some high officials seem to believe that the low morale is largely a psychological state and that merely exuding an air of confidence will improve the situation. Though this cheery tone may have the desired effect internally, it hardly seems calculated to improve the position of the National Government vis-à-vis American public opinion.

STUART

²⁹ Not printed.

893.00/1-848

The Ambassador in China (Stuart) to the Secretary of State

No. 10

NANKING, January 8, 1948.

[Received January 14.]

SIR: I have the honor to report the position I have been taking when questioned by Chinese about the outlook for their country. In general I have tried to abstain from any unnecessary comment. But the situation has been deteriorating so seriously with no immediate prospect of improvement, and my relationships with many individuals or groups as well as with the public at large have been of such a nature that it would have been difficult to remain completely silent. Those both within the Government or who are more or less non-partisan tend either toward a mood of despairing pessimism or one of helpless reliance on America to save the situation. There is also a large element who are so disillusioned regarding the present Government that they are against our aiding it, although they have no positive suggestions.

I have pointed out therefore that although there were no indications of a resumption of peace-talks nor of a decisive military victory or defeat, yet there was no reason for ceasing to hope and to struggle for a constructive solution. This seemed to me to lie in the direction of a triangular pattern.

(1) The Government had made a good beginning by its determination to revise the earlier Constitution and to put the new and much better one into effect. It was also endeavoring to achieve various reforms or progressive measures but met with many difficulties within its own membership and outside.

(2) Now that the Constitution had been promulgated as in force the citizens must claim their rights and assume their responsibilities. Otherwise it could not be of any practical value. No party in any democratic system could alone maintain constitutional government. At this rudimentary stage in China, the intellectuals, the liberals, the writers, must arouse and organize the populace to assert the will of the people. If this involved dangers the same was true of soldiers on the battlefield, and the larger such a movement grew in volume the less risk to individuals would there be. As public opinion thus became articulate the better elements in the Government would be helped in their efforts for reform and there would inevitably be signs of this. Not to believe this is to abandon all hope that democracy can really work. On the other hand this is the only way in which it can.

(3) This favorable interaction between Government and people would make it very much easier for the United States to render assistance in a form that would benefit the people and the nation rather than any one element within it. Such assistance would also inspire new hopes and these ought in turn to stimulate more fruitful endeavors within China. As evidences increased of administrative im-

provements and of popular support, the skepticism now rife in America as to such possibilities would be diminished and there would be a greater readiness to undertake our share in the realization of these objectives which Chinese and Americans alike have in mind.

All this seems commonplace enough but it is surprising how appreciative those with whom I talk and the readers of the press reports seem to be.

Respectfully yours,

J. LEIGHTON STUART

893.00/1-848

The Consul General at Peiping (Clubb) to the Secretary of State

No. 2

PEIPING, January 8, 1948.

[Received January 23.]

SIR: I have the honor to refer to this Consulate's despatch no. 2 of January 3, 1947 [1948] to Nanking on the subject of "Conditions in Communist Controlled Areas" and to enclose as of possible interest in this general connection a copy of a "Manifesto by the Chinese Peoples Liberation Army"³⁰ as obtained by the External Survey Detachment. That manifesto was addressed to the American Chamber of Commerce at Tientsin under cover of a note dated Tientsin, December 23, 1947. The manifesto was received in the English text transmitted herewith.

The manifesto begins by stating that the "Communist Liberation Army", having smashed the Nationalist Government's offensives, has launched large-scale counterattacks resulting in routs of the Nationalist armies. The Communist aims are set forth as being: to overthrow Generalissimo Chiang Kai-shek, and to establish a democratic coalition government, "thereby attaining the object of the liberation of the whole nation". The manifesto condemns the Generalissimo for alleged responsibility for the civil war and for the major domestic developments leading up to it. Asserting that the Chinese people had "once more" forgiven the Generalissimo on the occasion of the Japanese surrender in 1945, and had called upon him to stop the civil war and introduce a democratic form of government, the manifesto goes on to charge that "the perfidious Chiang" disavowed his various pledges and, "backed up by the American Imperialists", determined upon launching a new offensive. The manifesto charges that Generalissimo Chiang took from the Communists various towns and vast rural regions, and followed this by promulgation in March 1947 of the "bogus 'constitution'" and thereupon issued the National

³⁰ Not printed.

Mobilization Order.³¹ It is charged that the Generalissimo's policy is one of suppression of minority peoples, and that "in the regions under his tyranny" corruption prevails, secret service men are rampant, taxes are exorbitant and the national economy has generally become bankrupt, the while "the clique of corrupt officials and the notorious gentry class headed by Chiang himself are accumulating enormous wealth". The Generalissimo is condemned for betrayal of national interests, "inviting the United States armed forces to be stationed in Tsingtao and other cities, and importuning the American Imperialists to send the Military Advisory Mission ³² to China for the direction of the civil war and training of troops to be engaged in the slaughtering of his fellow countrymen." The manifesto sums up the indictment by charging that Chiang in the course of his 20 years rule in China has committed treason, instituted a dictatorship, and acted against the will of the people.

The "Peoples Liberation Army" sets forth its policies as being: (1) to form a national united front; (2) to try and punish "civil war criminals["] with Chiang as the ringleader; (3) to bring "Chiang's dictatorship" to an end and introduce democratic government; (4) to put an end likewise to the present "corrupt and graft-making administration system" and build up a pure administration; (5) to confiscate the property of the four families, Chiang, (H. H.) Kung,³³ (T. V.) Soong,³⁴ and Ch'en (Li-fu) ³⁵ for use in connection with development of industry and commerce and improvement of the livelihood of the people; (6) to effect a redistribution of landholdings; (7) to acknowledge the autonomy of minority peoples and "grant them free choice of incorporation in the Federal States of China"; and (8) to cancel the traitorous diplomacy of Chiang's dictatorial government; to denounce all traitorous treaties; to repudiate all foreign loans raised by Chiang during the civil war; to ask the U. S. Government to withdraw its troops from China, which are threatening the independence of China; to oppose any foreign aid to Chiang intended to help him fight the civil war; to oppose to Japan's revival as an aggressor state; to conclude equal or reciprocal commercial and friendship treaties with foreign countries; and to unite with all nations who treat them on an equal footing in a common struggle.

³¹ The mobilization resolution for the suppression of Communist rebellion was passed by the State Council, July 4, 1947; for text as contained in telegram No. 1465 of July 5, 1947, 5 p. m., from the Ambassador in China, see *United States Relations With China*, p. 746.

³² For correspondence, see vol. VIII, "U.S. Military Assistance to China" (Ch. III).

³³ Former Chinese Minister of Finance.

³⁴ Governor of Kwangtung.

³⁵ Secretary General of the Kuomintang Central Political Council.

The manifesto ends with an exhortation to the Communists' fellow countrymen in Nationalist-controlled areas to rise up and develop guerilla warfare, and in the "liberated areas" to carry through the land reform, consolidate the foundation of democracy and carry on other acts to develop the Communist strength. The manifesto calls upon the officers and soldiers of the Communist Army to improve their strategy and march forward with a will to victory, ending with the charge that it should be remembered that those soldiers and officers are the great army of the people—"the army led by the great leader of the people, Comrade Mao Tse-tung. So long as we follow closely the instructions of Comrade Mao, we are sure to win the victory." The manifesto purports to be signed by Commander-in-Chief Chu Teh and Vice Commander P'eng Teh-huai of the "Peoples Liberation Army".

It will be observed that the tone of the manifesto was not as violent, at least insofar as concerns the United States, as Mao Tse-tung's speech of New Year's Day. That manifesto, nevertheless, reflects the same confidence that is discovered in the later speech.

An informed official source told me on January 5 that the Communists were presently making a new approach in their propaganda line as used in North China, using the contention that "Northeasterners should not fight Northeasterners, and Northeasterners should not fight Hopeh People". That source was certain in his interpretation that the reputed new Communist line was without reference to other parts of North China than Hopeh Province; it did not have reference, for instance, to Shantung or Shansi. The inference to be drawn from that propaganda line would be that Hopeh people are to believe that their province is to have—by Communist intent at least—an autonomous rule, divorced from both Nationalist Government and Communist authority. Powerful factors of course make it improbable that Hopeh could maintain such an isolated political position even if it would, but it is perhaps of interest to speculate upon the possibility of the Communists making an offer of "autonomy" to important political areas in China in an effect to win support away from the National Government. The immensity of problems that the Communists would meet in the event that they achieved victory in Manchuria, with reference to both economic reconstruction and political consolidation in that area, could well lead to a slowing down of the Communist advance elsewhere, or even some alteration of the direction of political approach. It is believed probable, for instance, that the Communists will by necessity in due course of time be compelled to introduce into their ranks various political administrators formerly serving under the Kuomintang authority,* and to treat with various powerful military

*See despatch no. 2 of January 3, 1948, to Nanking. [Footnote in the original.]

leaders (particularly in South and West China), such as, perhaps, Li Chi-shen, Ts'ai T'ing-k'ai,³⁶ and perhaps the adamant Moslem warlords of the Ninghsia-Kansu-Chinghai border regions.

Respectfully yours,

O. EDMUND CLUBB

893.00/1-948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 9, 1948—2 p. m.

[Received January 9—10:12 a. m.]

59. It will be recalled (mytel 2436, December 22, noon³⁷) that General Chang Chih-chung³⁸ had tried to see what he could do toward obtaining Soviet assistance in stopping civil strife China. On January 8 General Chang reported to me conversation held day previous with Major General N. V. Roschin, Soviet Military Attaché, who left this morning for Moscow in response to sudden summons. He had asserted to Roschin that China could never be brought to the point of supporting Soviet Union against the United States, nor would it ever assist US against USSR. It could, however, he had insisted, help toward better understanding between the two, at least in the Pacific area. General Roschin had assured him, he said, that his Government desired the present civil war to end and peace to be restored under Generalissimo whom they recognized as the only leader capable of accomplishing this. But when he charged us with wanting war to continue in order to get more complete control in China, General Chang said he protested that he knew this was untrue as the interests of the US, primarily a commercial and industrial country, lay in peace in China as elsewhere. Accordingly, he had urged General Roschin to carry the substance of the conversation home with him as the official Chinese attitude in the hopes that the USSR would actively cooperate.

General Chang and his associates have been speculating as to the reasons for the sudden recall of General Roschin. From a Chinese standpoint they think it may be ominous of a more positive policy instead of the somewhat passive or hesitant one thus far followed.

See Deptel 2, January 8, 8 p. m.³⁹ and pass Moscow.

STUART

³⁶ Member of the Kuomintang Revolutionary Committee.

³⁷ *Foreign Relations*, 1947, vol. VII, p. 412.

³⁸ Director of Generalissimo Chiang Kai-shek's Northwest Headquarters.

³⁹ Reference telegram apparently garbled.

893.00/1-948 : Telegram

The Vice Consul at Changchun (Siebens) to the Secretary of State

CHANGCHUN, January 9, 1948—3 p. m.

[Received January 14—12:06 a. m.]

3. Military situation Changchun-Kirin area remains calm. General Li Hung, commanding officer new 7th Army defending Changchun, informed Assistant Military Attaché yesterday not more than 10,000 Communist troops within 50 mile radius city.

However, on night December 3 one small band Communists took advantage absence 38th Division, mainstay Changchun defense which then engaged in covering eastern flank Nationalist forces proceeding Mukden area (reContel December 26, 2 p. m. [*noon*]⁴⁰) to raid south-east suburb Changchun beyond outer defense perimeter and there demolished two police stations, captured and killed several police, opened grain shops to depredations poor, and raided and attempted set fire cigarette factory. Lawlessness sparked by this raid has resulted in separate small mob actions past few days in area outside defense perimeter and two within city limits. Grain shops, incoming rail and fuel carts, and buildings which can be destroyed for fire wood [were] targets these actions though stringent action may prove remedy, increasingly critical economic situation plus departure substantial elements army from city might render it difficult for authorities here prevent spread this type activity. Police force of 2,500 gross is underpaid and of doubtful loyalty.

In countryside surrounding Changchun bandit groups on horseback becoming increasingly active and weighty factor keeping roads closed in absence large Communist forces in area. Leadership these groups reputedly centered in wealth elements disposed by Communists. Two French Catholic Fathers arrived Changchun December 29 from parish about 20 miles northeast Changchun reporting their village stripped December 25 by consolidated group 30 bandit bands totaling between 800 and 900 men. Fathers lost almost everything including shoes. Banditry apparently snowballing in area not completely controlled by Communists as members victimized villages join bandits for raids on other villages. Bands usually well armed with small arms and few hand grenades, well mounted, and avoid conflict with Communists, who reputedly hunt them down ruthlessly when time permits. Certain proportion bands consists deserted soldiers both sides.

No amelioration food and fuel shortage here. Estimated half population now eating indigestible dry beans and bean cake. Government competing for latter to use as fuel very small scale operation

⁴⁰ Telegram No. 261 not printed.

local thermal electric plant serving vital military needs and selected grain mills. Though prices here generally at least half those Mukden recently, widespread and increasing unemployment caused by closed communications, and absence sources fuel and electricity, and retrenchment Government civil organs plus inability most Government organs meet payrolls due lack incoming cash placing commodities beyond reach many. Though food supplies in city plus limited incoming grain adequate at least for winter, authorities thus far unsuccessful in effecting adequate distribution.

Korean (approximately 1,500) and Japanese (approximately 1,000) minority groups at bottom of ladder suffering and destitute.

Railway guards here yesterday ordered integrated with army. Preparations for street fighting resumed with fortification railway station and other points.

Above described situation and rumors apparently unfounded that elements Communist forces Mukden area proceeding northward creating atmosphere increasing disquiet here.

Evidence here continues indicate Nationalist intent hold Kirin-Changchun for present (reContel December 22, 3 p. m.⁴¹). Best of troops at Kirin which reputed scheduled proceed Mukden (re Mukden situation report December 31⁴²) and which would presumably come through or near Changchun as yet not seen and local commanders profess ignorance move to weaken Kirin, which would be tantamount to gift to Communists. However, such move requires time and it remains possible Nationalists intend evacuate best troops and equipment at Kirin.

With Communist whittling of Nationalist position Manchuria to its core and desirable targets increasingly restricted to relatively well defended areas, war Manchuria entering new phase for Communists in which progress may become more difficult. Total Communist strength Manchuria estimated by Assistant Military Attaché 350,000, of which approximately 225,000 well experienced. Total Nationalist strength Manchuria estimated by Assistant Military Attaché at 250,000, of which 40,000 veterans Burma campaign, 120,000 others relatively good troops by virtue equipment, and balance poor due inadequate training and equipment.

As indicated Contel November 25, 3 p. m.⁴³ Nationalist position and tactics Manchuria facilitating impressive Communist cross-country raids and occasional concentration forces certain points has tended make them appear stronger than they are. Communists not exempt from logistic and loyalty problems, especially if losses mount, and

⁴¹ Telegram No. 259, not printed.

⁴² See telegram No. 408, p. 1.

⁴³ *Foreign Relations*, 1947, vol. VII, p. 374.

occasional errors judgment. Concentration their forces becoming necessary for ultimate victory Manchuria should create circumstances in which superior Nationalist fire power effective and especially with onset warmer weather Nationalist air force more telling factor. Indications are air force not used within maximum limitations in past except in critical defensive situations. Overall Nationalist air resources and commitments unknown this office, but believe that, in spite difficulties suggested Contel December 22, 3 p. m. when warmer weather permits Mukden become major operational air base air force should still be able make substantial contribution aggravation Communist problems, especially view short distances involved, and possibly circumstances forcing Nationalists realize this and will inspire commensurate air effort their part.

At best these factors would only retard progress retrogression Nationalist position Manchuria, tempo of which now being set by logistic and economic difficulties created by Communists and potentialities spectacular Nationalist debacle in northeast still exist, especially in view precarious morale factor and apparent impossibility Nationalists muster permanent reinforcements.

Weight economic factor in forcing ultimate Nationalist withdrawal Manchuria difficult assess. Army presumably could enforce existence largely apart from population but political effects such procedure serious. Maintenance overland communications Mukden area with Liaotung gulf ports or on Peiping-Mukden railway essential this respect as resources China proper dominant need such project, and these communications now major Communist targets.

Situation Changchun-Kirin remains substantially as described Contel [December] 22, 3 p. m. Changchun still in position offer substantial resistance to Communist attack if air support given. Unless Nationalists return strong forces to Ssuning, only method rapid reinforcement would be by air. Mukden telegram December 31 (relayed by Department January 2, noon) indicates Nationalist thinking perhaps placing preservation forces above desire hold Kirin-Changchun, and in face difficulties or added pressure to south crack 38th Division might be evacuated. This would be tip-off re Nationalist intent abandon Changchun. Feel, however, that at present Nationalists would abandon Changchun with great reluctance and only under pressure, real or fancied.

Re Nationalist withdrawal majority force Ssuning, believe that even if that point not reinforced soon, Communists will not be able profit from east-west railroad, so long as Nationalists hold Mukden as road extremely vulnerable and now wrecked from Liaoyuan to Hsian.

SIEBENS

893.00/1-948: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 9, 1948—5 p. m.
[Received January 10—4:30 a. m.]

63. We consider that statement made by Carson Chang to Secretary probably basically correct but of little, if any, significance. (ReDeptel 18, January 6, 8 p. m.⁴⁴)

It has been impossible to make any careful analysis of national election returns because full returns have not yet been published. National election office itself has not received complete and accurate reports, and elections still taking place in some areas. In addition to the general paucity of reliable information even in hands of the Govt, we do not have sufficient personnel to produce an adequate analysis of China's first national election.

We would observe, however, that no political machine is 100 percent perfect and it is very likely that a number of candidates in districts, whose importance we are not in position to assess, were elected on the basis of local popularity. Whether such deviations from the general trend of election returns will reflect liberal or progressive opinion remains a moot question which will be resolved only when there has been opportunity to follow the results of the first session of the National Assembly under new constitution. At the present time we are constrained to observe that the Kuomintang has carried the National Assembly elections as expected, and that control of the party machinery by the more reactionary elements of the party leads us to believe that rightist elements will dominate the National Assembly when it meets although this body may be expected to serve as a sounding board for the protests of liberal opinion as was the case in the now defunct PPC.⁴⁵ It seems reasonable to assume that the same result may be expected when the elections for the Legislative Yuan are held. Current trends are such as to suggest that the leader of the CC clique Chen Li-fu may be elected president of the Legislative Yuan, but the CC clique will probably not attempt to control the Ministry of Finance, the Governorship of the Central Bank, or the Presidency of the Executive Yuan, but will endeavor to use adherents of the more liberal political science group to manage fiscal policies and to seek additional foreign aid.

⁴⁴Not printed; the Secretary of State informed Ambassador Stuart that Carsun Chang, leader of the Chinese Democratic Socialist Party, had stated that the number of adherents in the CC clique suffered unforeseen defeats in the "National Assembly elections Nov at hands less reactionary candidates having strong local support and that despite activities Party machine election results here and there reflected liberal opinion." (893.00/1-648)

⁴⁵People's Political Council.

At the present time we see no change in the trend which has been developing during the past year, i. e., a continual strengthening of the CC clique. In current circumstances in China, especially since the outlawing of the Democratic League, of [*sic*] non-Kuomintang opinion of a liberal or progressive character has become increasingly impotent. In somewhat less degree, but equally noticeable, progressive opinion within the Kuomintang itself is being stifled by the increasing strength of the right wing.

Despatch on election result is under preparation and will be forwarded by mid-January.

STUART

893.00/1-948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, January 9, 1948—5 p. m.

[Received January 10—11:41 a. m.]

11. Govt counter offensive (mytel 7 [4], Jan. 3) ⁴⁶ not successful. Communist intelligence discovered intent and by leaving headquarters group Faku intact managed move bulk troops westwards where Govt forces Hsinglungtien 25 kilos east Hsinmin attacked by strong Communist forces. Govt admits effective fighting strength one Govt army destroyed. Govt casualties including killed, wounded, and desertions during past week estimated 12,000 men. Accuracy these figures admitted by PNEH. As result these losses Govt not in immediate position carry out any extensive operations. Loss of forces not expected have any immediate effect security Mukden. Communists have still failed penetrate Mukden defensive lines in force. Domination Hsinmin area (mytel 546, Dec. 31) ⁴⁷ still appears Communist major objective.

Sent Embassy as 17, repeated Dept as 11, Changchun 10, Peiping 12, Tientsin 9.

WARD

893.00/1-948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, January 9, 1948—5 p. m.

[Received January 13—6:08 a. m.]

13. Government neutralizing loss localities such as Changwu and Hsinglungtien by inflicting serious casualties on Communist [at-

⁴⁶ Not printed.

⁴⁷ Same as telegram No. 408, p. 1.

tacker?]. Magistrate of Changwu orally informed ConGen [that] Communists informed him they lost 30,000 men and expended 15,000 artillery shells effecting capture small village Changwu after 14-day siege. One Government division supposedly very inferior troops held village until situation hopeless. Source states local inhabitants so impressed morale Government forces [that?] all living officers and local officials concealed by populace and assisted [to] escape. Communists, so infuriated by Government defense, abandoned usual tactics, kind treatment wounded, and killed majority Government wounded. Communists used considerable captured American equipment in attack. Communists also advised source Lin Piao, with headquarters between Faku and Changwu, personally directing present Communist offensive.

Government units annihilated (mytel 17, January 9⁴⁸) cause failure Government reinforcements ordered failed arrive. Sources within PNEH disclosed considerable and growing friction Chen Cheng and Whampoa clique. Troops destroyed considered as Chen troops and reinforcement as those Whampoa clique. This clique striving discredit Chen and effect his replacement by one their members. Same source believed majority recent Government losses could have been prevented if there was coordinated and cooperative action within PNEH. This friction and disorganization increasing. Necessity for strong leadership (mytel 11 [7?], January 6⁴⁹) becoming increasingly apparent.

Government took some sting out of defeat Hsinglungtien (mytel 17, January 9) when Government reinforcements consisting one division new First Army encircled one Communist division and succeeded destroying this force and in capturing city.

Government success defending strong points and inflicting inordinate casualties Communist attackers creating confidence local populace military security Mukden. Communist losses, which although probably exaggerated, still believed substantially accurate and have definitely improved morale Government troops and civilians. If Government now has military leader who could command complete coordination and cooperation, believe devastating blows could be dealt over-extended and perhaps over-confident Communists.

Sent Embassy, repeated Department as 13, Changchun as 11, Peiping as 13, Tientsin 10.

WARD

⁴⁸ Same as telegram No. 11, *supra*.

⁴⁹ Not printed.

893.00/1-948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 9, 1948—6 p. m.

[Received January 10—9:52 a. m.]

65. Full text December 25 statement by Mao Tse-tung has already been sent airmail to Dept.⁵⁰ Embassy believes statement necessarily acquires importance (though not as great as Chinese Communists apparently would have one believe) because it was made by Mao and because it outlines in considerable detail the military and economic program of Chinese Communists, drawing together in one statement previous announcements and plans. Embassy is, however, of opinion that in reading statement it is necessary to dredge through appalling verbiage in order to gain a few ideas. The ideas, furthermore, expressed in this unwieldy exercise in dialectics represent little not already known and reported.

Embassy gains two dominant impressions: (1) the note of triumphant conviction that the essentials of the Communist struggle for victory in China have been achieved though Mao is careful to point out that additional great sacrifices will be required and (2) the continuous and vitriolic attacks on the US as the great enemy of the world and agent responsible for the continuing civil war in China. Endlessly Mao reiterates the point that reactionary American imperialism is a major enemy of the people of China. Even though recent months have witnessed heightening attacks on the US this is the first time that one of the top leaders of the party has publicly joined the human [*hue and*] cry.

Mao's elaboration of Communist military tactics and strategy is a remarkably candid explanation of how precisely Communist armies operate as far as the Embassy has been able to determine. It is perhaps a mark of Communist contempt for Nationalist military thinking and intelligence that the Communists have so little hesitation in explaining their strategy which, it must be admitted, has to date not been without success.

Considerable attention in the manifesto is given to explaining the need for relentless pursuit of the land reform program in order to satisfy the aspirations of peasant groups regardless of cost to those who now hold the land. This is in accordance with other scattered and fragmentary reports received by the Embassy in recent months about the stepping up of the land program.

It is interesting to note the appeal for support from the middle group of peasants whom Mao says he believes will be willing to make

⁵⁰ Not printed.

certain personal sacrifices for the common weal. The threat that any opposition can expect no mercy rather suggests, however, that the Communists are not yet prepared to rely solely upon goodness of heart in securing cooperation. Nor should the gesture of conciliation to the middle groups yet be considered as anything more than a propaganda device which can be reversed at will.

It is significant that this statement moves even farther away than the New Year's message of Lu Ting-yi ⁵¹ of a year ago from the lip service to conciliation and moderation which characterized Mao's report to the 7th National Congress of the Chinese Communist Party, April 1945.⁵² It seems to the Embassy there is a striking similarity between the argument and invective advanced by Mao and that of other Communist leaders throughout the world. It also seems to the Embassy that more than at any other time in the past Chinese Communist thinking, with some exceptions made necessary by contemporary conditions, [is?] following the line of reasoning advanced by Lenin in his April theses. All current evidence indicates Communist willingness and intention to adopt and exploit any means possible or necessary to securing the ultimate objective, namely, full power. Not even the obscure vocabulary can obscure the fact that this is precisely what Mao is saying or becloud his conviction that it will work.

Dept. please repeat to Moscow as 3.

STUART

893.00/1-1248

*Memorandum by the Chief of the Division of Chinese Affairs (Ringwalt) to the Director of the Office of Far Eastern Affairs (Butterworth)*⁵³

[WASHINGTON,] January 12, 1948.

Subject: Mao Tse-tung's December 25, 1947 statement (Copy, as picked up by FBIB,⁵⁴ attached ⁵⁵).

Reference: Embtel 65, Jan. 9 on above subject.

This statement reflects Communist satisfaction in the belief that the Communist struggle for power in China has passed its turning point—with the “People's Liberation Armies” now on the offensive—and that the idea of a “third road” (between the Kmt and the CCP) has “now become bankrupt”. It contains an interesting account of

⁵¹ Minister of Propaganda and Information of the Chinese Communist Party; for text of his statement, see *United States Relations With China*, p. 710; for analysis, see *Foreign Relations*, 1947, vol. VII, p. 29.

⁵² May 1, 1945; see *ibid.*, 1945, vol. VII, p. 362.

⁵³ Drafted by the Assistant Chief of the Division (Rice).

⁵⁴ Foreign Broadcast Information Branch of the Central Intelligence Agency.

⁵⁵ Not printed.

Communist strategy and tactics, an outline of domestic policies proposed for the "New China", and informative remarks on international relations. If you are too busy to plow through Mao's verbiage you may find time to read the following rearranged résumé of his chief ideas—to which we have appended some of our own comment.

I. *Strategy of the Communist Revolution.*

A. *Agrarian "reform"*: Confiscation of the land of the landlord class and its distribution among the poorer peasants is "the basic condition required for conquering all enemies". "Landlords and rich peasants", Mao explains, "make up only approximately 8 percent . . .⁵⁶ Therefore the object which our agrarian policy opposes is a very small number of people whereas the number . . . who can and should participate in the (benefits of) agrarian reform . . . make up as much as 90 percent." (*Comment*: By this means the peasants receiving land are given a stake which they must defend by opposing the Government, which represents the old order.)

In many areas CCP workers have oppressed and bullied the people. The Party workers are landlord elements which slipped into the Party during its period of phenomenal growth from a few thousands in 1937 to 2,700,000 in 1947. (*Comment*: Thus Mao is able to channel against enemies of the Party some of the resentment aroused in the course of implementing the Party's land and other programs; he at the same time provides himself with a plausible reason for tightening up Party discipline and eliminating wavering elements.)

B. *Military Principles* (Mao lists ten, which are regrouped below) :

1. *We take the annihilation of the enemy fighting strength as the major objective.* To do this, first strike scattered and isolated enemies, and later the more concentrated and powerful ones, always concentrating for the task forces having the greatest possible local superiority so that the enemy may be encircled and wiped out. Conversely, fight no battles which do not promise victory, and no unprepared engagements. Thus Communist forces—which numerically are inferior as a whole—have an absolute superiority in every action.

2. *Fight a war of movement.* Strike one enemy force and swiftly transfer units to smash another. Fight no battles of attrition. Strive to destroy the enemy in movement. Promote willingness to sacrifice and capacity to endure fatigue so that successive battles may be fought in short space of time with but little respite. Skillfully utilize periods of respite for resting, regrouping and training but make such periods short so that the enemy may have no breathing space.

⁵⁶ Omissions indicated in the original.

3. *Develop skill in the tactics of attacking enemy positions, strong points and bases.* The broad countryside and small and medium towns, bases and strong-points are to be taken first; later the bigger places. But regard the taking of cities as a by-product of the annihilation of enemy forces; many cities will be abandoned and retaken a number of times before final victory is achieved.

4. *Obtain most of needed arms and ammunition by capture from the enemy.*

II. *Politico-Economic Domestic Policy of the "New China".*

1. Confiscate and place under State ownership and control China's bureaucratic monopoly capital and eliminate the special privileges of imperialism, with which it is allied.

2. Confiscate the land of the landlord class and develop the agricultural economy step by step from an individual to a collective basis. (*Comment:* As far as I am aware, this is the first public admission by Mao that the land is not being given to the peasants "for keeps".)

3. Permit the functioning of petty and middle bourgeoisie capital in the interests of flourishing production.

III. *International Relations.*

1. *Anti-American Stand:* American imperialism has replaced Japanese and German imperialism and is directing Chiang Kai-shek's counterrevolutionary war against the Chinese nation, with U. S. military personnel suggesting Chiang's strategy and tactics. The imperialistic strength of the U. S. is superficial, and is menaced by the volcano of economic crisis. (*Comment:* I understand that this is the world Communist line on the future of the U. S. economy.) It is this threat which forces U. S. imperialism to attempt to enslave the world, but already Soviet strength exceeds that of the United States.

2. *Solidarity with International Communism:* "Communist Parties of 9 European countries have organized an information bureau and published a summons to battle . . . all anti-imperialist forces of the various Eastern countries should also unite . . . taking as the objective of their struggle the liberation of the more than 1,000,000,000 oppressed people of the East."

811.20200 (D) / 1-1248

The Consul General at Shanghai (Cabot) to the Secretary of State

No. 38

SHANGHAI, January 12, 1948.

[Received January 20.]

SIR: I have the honor to refer to the United States Information Service program in China and to point out the immediate need for

a vigorous and aggressive campaign by USIS-China to correct the widespread misrepresentation of the United States and its policies as reported in the Chinese press and as circulated in Chinese Communist propaganda and official Soviet Union press handouts.

Of late the Chinese press, in one or more instances, has blamed the United States for China's civil war; has accused the United States of economic imperialism, power politics, dollar diplomacy, ruthless expansion and monopolistic practices; has charged the United States with not helping and aiding but pressing for domination of the world through the dollar, atomic power and food. We have been called arrogant and stupid.

Some of these charges have been widespread while others have appeared only in the so-called independent press. But, the most important fact is that these misrepresentations have been published in the non-communist Chinese press in the Shanghai and Nanking area.

It is little short of tragic that there should be such gross misunderstanding of American aims. It is apparent that the oblique approach used by USIS in quoting statements, citing newspaper editorials and selecting news items is not sufficient. The point is made once but the campaign of lies continues and soon gains far more currency.

It is time now to come out with direct refutation of such beliefs, not through actual denial but through constant repetition of the true facts. We need to say more definitely what our aims are throughout the world. We need to point out again and again the facts relative to our actions whether or not they happen to be mentioned in certain public statements. Every media should be used—the Voice of the United States of America, the newsfile, the *Chinese Newsletter*, movies, filmstrips—to hammer these facts home again and again and again.

If USIS is to succeed in the job it is supposed to do we must meet these charges and correct these misunderstandings of the United States and its policies. We must supply the facts. We should determine which are the false beliefs, which are most fundamental, most dangerous to an understanding of our policies and then should make a systematic effort to supply the facts which belie them. We must repeat these facts over and over again in all media until the truth gains the currency which untruths and half-truths about us now enjoy.

The Acting USIS Director ⁵⁷ recommends that the Department give very serious consideration to changing the basic policy under which USIS has been operating so that a vigorous and aggressive program can be begun to undo some of the damage wrought by this campaign of lies. It is time now to meet these issues.

⁵⁷ W. Bradley Connors, Consul at Shanghai.

Of course, any change in the policy of USIS operations should not be allowed to divert our attention from a steady flow of the basic picture of American social work, science, education and other long-range subjects—which we hope may have an uplifting influence on the people of China, the dividends from which may not be so apparent, but are nonetheless real. Even to people in China who disagree most vehemently with United States policy, there are countless aspects of American life and government which command their respect and admiration and upon which solid ties may be built. It might be speculated whether or not the controlled papers which indulge so freely in attacks on American policy do so in part to distract their readers' attention from the hardships and shortcomings of life in China today. It has always been the policy of the Chinese to blame foreigners for their troubles and the United States has become the number one whipping boy.

USIS in China has tried to meet some of these attacks through repetition of specific material in all media available to us, through special statements by the American Ambassador when possible, and through use of American editorial comment. In some cases we have been successful but all too often the attacks on the United States and its policies continue and thus the untruths gain greater currency. We are handicapped by not only a lack of suitable material to draw upon when needed but also by the lack of sufficient personnel to do the research and writing required.

It would appear to us in the field that these same criticisms and unjust charges are being hurled at the United States not just in China but in other countries of the world so that it would be in the best interests of the Department's information program to prepare much of this needed material in Washington for distribution to all USIS posts overseas.

Based on experience in China, the Acting USIS Director does not recommend that the Department prepare specially written material to counteract these false representations but rather that the Department provide basic material drawn from authoritative and objective sources such as American newspapers, magazines and public statements tailored to meet specific charges. With this basic material available for immediate use it would then be possible for USIS-China to make use of such material as was needed from day to day.

At the same time the Department might consider preparation of pamphlets and certain visual material, such as graphs and pictographs, for simple underlining of facts which we need to emphasize. Since timeliness is often an important factor, pertinent articles should be air mailed or sent via Signal Corps to permit their use while the

given situation pertains. For example, there was much good material preceding the Council of Foreign Ministers' Meeting in London,⁵⁸ which we could have used to prepare the ground for our attitude and possibly prepare our readers for the resulting break-up if we had had it. Instead this material arrived long after the meeting had adjourned.

In the case of Soviet propaganda designed to give a false picture of our policies and our aims, the Department should be prepared to provide the true facts via the *Wireless Bulletin*⁵⁹ since Soviet propaganda is, for the most part, carried on on a world-wide basis. The Chinese Communists follow this same line on world affairs. In instances where the Chinese Communists attack American activities in China, if the basic stockpile could not provide the correct answers, the Department would be requested to supply special material.

[Here follow examples of Chinese press comment.]

Respectfully yours,

For the Consul General
W. BRADLEY CONNORS
American Consul

893.113/1-1348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 13, 1948—4 p. m.

[Received January 14—4:47 a. m.]

84. Our information is to effect that Government forces found little if any supplies at Chefoo (reDeptel 1594, December 31, 6 p. m.). Assistant Military Attaché who visited city shortly after Government reoccupation states categorically that Government captured no ammunition stocks at Chefoo. Communist withdrawal from Chefoo was leisurely and orderly extending over a period of 2 months and all supplies were evacuated.

Sensational stories such as referred to in reftel are not unusual in "monthly report". There has been some evidence of smuggling operations operating from Shanghai into Communist controlled areas but all indications have been that these operations were designed and run for profit rather than for political purposes and we have no reason to believe that there has been traffic in American ammunition in any quantity. As far as we have been able to determine, any US ammunition in Communist hands is the result of capture in combat operations.

STUART

⁵⁸ November 25–December 16, 1947; for documentation, see *Foreign Relations*, 1947, volume II.

⁵⁹ Department of State periodical.

893.796/1-1348 : Telegram

The Consul at Shanghai (Pilcher) to the Secretary of State

SHANGHAI, January 13, 1948—5 p. m.

[Received January 13—6:13 a. m.]

82. ReConGentel to Department 83, to Nanking 62, dated January 13.⁶⁰ As part of deal with Chinese Government providing for establishment civil air transport, Taylor⁶¹ said that Government expected CAT would be used to support military operations in Manchuria. Taylor made it clear that Government did not expect CAT to move arms and ammunition by air, but did expect CAT to fly food and other supplies into battle areas for support of troops. He further said that as part this deal it is possible CAT will be requested to operate without recompense CCAA⁶² communications system in China.

CAT will also be expected to operate CCAA training school for private personnel flying at Hungjao airport. Taylor, of course, welcomes this opportunity further develop private personal flying as he is Piper Cub representative here. He then volunteered that all CAT's pilots are former US Army Air Force airmen who could intelligently fly into battle areas. He mentioned that recent loss of aircraft by CATC⁶³ and CNAC⁶⁴ in Communist controlled areas could be attributed to the fact pilots did not possess enough skill in flying in besieged areas.

Taylor requested that none of this information concerning CAT's proposed activities be forwarded Dept or elsewhere. At close conversation Taylor said CAT had already received request directly from General Chen Cheng urging CAT despatch planes immediately with supplies to northern area.

When queried as to whether CAT would be provided sufficient foreign exchange to meet its requirements, Taylor said he understood US \$200,000 a month would be made available to CAT. When Civil Air Attaché⁶⁵ mentioned that at present CNAC and CATC were obtaining only approximately US \$250,000 each month and were operating larger number of aircraft, Taylor said that while CAT would register 18 planes with CCAA it would actually operate planes.

Sent Dept 82, repeated Nanking 62.

PILCHER

⁶⁰ Not printed.

⁶¹ L. K. Taylor, a principal partner of the Civil Air Transport (CAT).

⁶² Chinese National Commission on Aeronautical Affairs.

⁶³ Central Air Transportation Corporation.

⁶⁴ China National Aviation Corporation.

⁶⁵ Francis G. Jarvis.

893.00/1-1348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 13, 1948—6 p. m.

[Received 11:36 p. m.]

86. Analysis by Consulates of available National Assembly election returns their districts being requested by Embassy accordance suggestion Deptel 46, January 10.⁶⁶ While CC clique⁶⁷ candidates may have been defeated some places, we do not believe that ability of CC leaders to control coming National Assembly has been threatened appreciably. Delay in announcing returns not due to defeat of important Kmt candidates but rather to efforts of Kmt to fulfill pre-election pledge to assist minor parties in certain areas. In many these areas Kmt members ran in defiance Nanking Party headquarters' orders to withdraw their candidacy and were elected. For past several weeks Kmt High Command has been engaged in onerous task of persuading such elected Kmt members to withdraw in favor of minor Party candidates. Chen Li-fu yesterday confirmed to Embassy officer that this problem has been principal preoccupation of Kmt in connection with elections. He added that consolidated returns covering most of China would be published within few days.

STUART

893.00/1-1448 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, January 14, 1948—noon.

[Received January 14—9:50 a. m.]

23. General Chen Cheng informed me today Communist combatant Chinese forces northeast composed 13 columns plus 15 independent divisions totaling 400,000 troops, 4 east Mongol army corps of 57,000 troops and 3 Korean military districts with 150,000 troops. Total strength Communist combatant forces in NE estimated be 633,500 men. In addition Communists have 2 columns of 52,000 troops in Jehol, Chahar, north Hopei area. Total Communists' forces greatly outnumber Government combatant forces.

Russians now in process supplying NE Communists 500,000 Japanese rifles and 100,000 machine guns plus large quantities ammunition including artillery shells. These Japanese weapons so constructed severe Manchurian cold does not seriously impair operation whereas American equipment Government has operated best [in] warm climates. Serious light machine guns stoppage problem being encountered after gun exposed to cold 4 hours.

⁶⁶ Not printed.⁶⁷ Group in the Kuomintang led by the Chen brothers, Li-fu and Kuo-fu.

Communists employing more artillery this offensive than heretofore. Government rapidly losing superiority heretofore enjoyed over Communists [with] use American supplied planes, vehicle and ordnance. No replacement parts available. Now necessary cannibalize three trucks keep one in operation. Tire shortage critical. Planes deteriorating rapidly and being deadlined for complete overhaul after maximum two or three missions. General ammunition shortage American weapons exists. All American supplied equipment now losing effectiveness through obsolescence and deterioration. Need new equipment and replacement parts for old already entered critical stage.

Sent Embassy; repeated Department as 23, Peiping 16, Tientsin 11.

WARD

893.796/1-1448: Telegram

The Consul at Shanghai (Pilcher) to the Secretary of State

SHANGHAI, January 14, 1948—8 p. m.

[Received January 14—10:24 a. m.]

93. RefConGentel 82 and 83 ⁶⁸ and [garbled] Shanghai courier despatch to Nanking, all of January 13. As it appears CNRRA Air Transport, CAT, may be used as air transport arm in support operations Nationalist troops, Department may wish to consider incidents similar Harley Moore case ⁶⁹ (refConGentel 2470, October 20 ⁶⁸) might possibly occur and perhaps on appreciable scale. In addition CAT aircraft, CNAC and CATC transport planes have in past been chartered by Government for use in operations in support of military. For Department's information, CAT employs 39 American pilots and co-pilots, CNAC has approximately 60 and CATC approximately 15.

Sent Department 93, repeated Nanking 71.

PILCHER

711.93/1-1548

The Ambassador in China (Stuart) to the Secretary of State

No. 17

NANKING, January 15, 1948.

[Received January 27.]

SIR: I have the honor to report three recent conversations which have helped me to formulate a suggestion as to a possible American policy.

⁶⁸ Not printed.

⁶⁹ An American pilot of the Chinese Central Air Transportation Corporation, who was killed in a plane crash near Li Ke Chuang, Hopei Province, in Communist-held territory, on October 17, 1947.

Dr. S. Y. Ch'u is the closest associate of Dr. James Yen ⁷² and always acts for him in his absence. The latter had cabled me that Dr. Ch'u, who was returning from the UNESCO ⁷³ Conference in Mexico City, had an important message for me. The substance of this, according to Dr. Ch'u, is that Dr. Yen had been in consultation with you about certain measures of social betterment in selected areas which would involve about six dollars per capita. You were described as being sufficiently interested to have asked Dr. Yen to stay on in the United States in order to work this out in further detail. Dr. Ch'u will probably report the scheme to President Chiang.

Mr. Hu Lin of the Ta Kung Pao has just returned from three weeks in Szechuen. He described that province as largely dominated by the Ke Lao Hui, the Szechuen section of an ancient secret society known as the Hung Pang. In that province it is in the control of the feudalistic landlord class. It is wooed by all parties but dislikes the Government, though it would probably resist the Communists if they attempted to enter the province. These last have infiltrated rather widely as may be seen from the clarity of their broadcasts which implies a local origin. One well-known leader, Hsu Hsiang-chien ⁷⁴ when he withdrew from North Szechuen years ago carried away with him many local boys who having been carefully trained are now back there as political operatives. Despite rumors that Liu Po-cheng ⁷⁵ is planning to move westward into Szechuen, Mr. Hu discounts these on the ground that the Communists have more to gain at present by consolidating themselves in Central China. Mr. Hu went on to discuss general conditions in the country. He sees so many signs of progress that he cannot share in the prevalent pessimism. There is much more interest in public affairs and this is more intelligent. In the spread of new ideas, in technological planning, in everything indeed except in politics, he discerns rapid advance. Even if this Government should disintegrate and the Communists take over, they would not last long. The heritage from the past, modified by newly-acquired skills and disciplines, would assert itself and would from the present ferment work out new social and political patterns. As to President Chiang himself he had come to feel that he was too old and too fixed in his habits to meet the new requirements, especially in view of those closest to him and their following, all bound together by essentially the same concepts and by economic loyalties. He thought that the most hopeful solution would be the election of Marshal Li Tsung-jen ⁷⁶

⁷² General director of the National Association of Mass Education Movement.

⁷³ United Nations Educational, Scientific, and Cultural Organization.

⁷⁴ Communist army officer.

⁷⁵ Chief of Staff, Communist 8th Route Army.

⁷⁶ Director of Generalissimo Chiang Kai-shek's Peiping headquarters: on January 8 he had announced his candidacy for position of Vice President.

as Vice President next March or April after which President Chiang might go abroad for several months. Meanwhile, the Government might be completely reorganized and the President return refreshed and broadened by this experience to resume his duties with recovered public goodwill and without the incubus of his former comrades.

This brings up again the old problem of President Chiang himself. His personal prestige is lower now than I have ever known it before. This, together with the worsening military and fiscal situation, widespread anti-Government sentiment, and the almost universal despairing or defeatist attitude, all point to the downfall of this Government in the not distant future unless something radical can be done very soon. Nor can any amount of American money or military aid accomplish by itself what is needed. I still believe, however, that if President Chiang could catch the vision of a radically new social and political approach to the problem and resolve to act accordingly this, supplemented by American advisory and material assistance, and publicity capable of awakening his people as to what the issues really are, would rally popular sentiment and reverse the present downward trend. No Chinese dares to talk frankly with him to this effect. I have repeatedly suggested his leading in a new revolutionary movement of this nature. He listens and smilingly nods assent but does nothing. More especially in recent months I have been on guard against seeming to imply that the taking of such advice would ensure American aid. But something must be done to break through his inhibitions or matters will get rapidly worse. It occurs to me that if Dr. Yen could be summoned by him to report on his progress in America and win him to the idea, and if there could at the same time be a somewhat more definite assurance of American aid, this might enable him to make the long-awaited decision. If he remains irresolute or adheres stubbornly to his habitual methods, the next best course might be the legal election of a good Vice President and his own voluntary retirement for an indefinite period.

In further reference to my telegram no. 59 of January 9, 1948, 2 p. m., regarding a conversation between General Chang Chih-chung and the Soviet Military Attaché, General N. V. Roschin, the following was reported to me yesterday by General Cheng Kai-min.⁷⁷ General Roschin before he left China called on Mr. Shao Li-tse⁷⁸ and told him that the civil war in China ought to be stopped, that this could be done if the Chinese Government would invite Russia to mediate. The Government leaders have inferred that this indicates that Russia either fears attack by the United States or is herself preparing for

⁷⁷ Chinese Vice Minister for National Defense.

⁷⁸ State Councilor of the Chinese National Government.

war. On either theory she wishes to avoid a war on two fronts by establishing better relations with China. They are convinced that a buffer state in Manchuria has already been organized.

The same source reported that two divisions of Government troops had been entirely annihilated at Hsin Li Tun near Mukden.

I venture to enclose a memorandum entitled "An Appraisal of Chinese Communism", which may be of interest to you.

Respectfully yours,

J. LEIGHTON STUART

[Enclosure]

Memorandum by the Ambassador in China (Stuart)

AN APPRAISAL OF CHINESE COMMUNISM

It must be freely acknowledged that there is much to be admired in Chinese Communism. The almost unanimous enthusiasm of competent western observers who have at different times visited their headquarters or traveled through their territory cannot be entirely explained away by their own leftist tendencies, nor by the restrictions placed upon their movements. The leaders of the Party have through long years given ample evidence of their unselfish devotion to their cause, their steadfast acceptance of hardships and dangers, their ability to win the allegiance of a constantly increasing following, their skill in organizing, training and inspiring this following, and their genuine concern for the material welfare of the rural population—all of this in striking contrast with the traditional weaknesses of Chinese officialdom and with many present-day Government employees. They have conclusively demonstrated that Chinese can be aroused, indoctrinated and organized into a cohesion that overcomes the tendency to separatism stemming from considerations of face, family, private gain, social amenities, political cliques, etc. If they were willing to take part therefore in a coalition government, or to function as a political party without military force, they could contribute notably to purifying and vitalizing the political life of their country. During the recent negotiations aiming to achieve the former of these solutions they seemed more than once to be very near the point of agreement but were deterred by their deeply rooted suspicions reinforced by personal animosities. Even then, however, they made no secret of regarding this as a temporary measure on their part, their ultimate objective being a communized China. Thinking in retrospect over the experience gained from those lengthy conferences I am now reluctantly convinced that whatever concessions they might have made would have been merely tactical and would not have

prevented them from unswervingly pursuing their dominant objective.

Despite all that may be admitted to their credit the factual record in China would seem to include the following extremely serious objections in their aims and methods. The consequences of their success in these would be destructive of all the higher values in China's cultural heritage and of the present democratic movement with its essential share in securing a stable peace in a world of freedom-loving peoples.

(1) *Ideological intolerance.* There can be no freedom of thought or action in communist-controlled territory. The policy of promptly liquidating any who differ from them or are merely neutral, or are even under suspicion, is consistently practised. The control of information and reading matter and the dissemination only of their own partisan news and propaganda is as nearly absolute as conditions permit. The implications of these restraints on intellectual freedom and of this systematic molding of opinion are enormous. It is apparently regarded as essential to the system and not merely as a war measure. Any organization that might neutralize or challenge this totalitarian control of knowledge or belief is relentlessly stamped out, despite facile assertions by their spokesmen to the contrary. In China the most obvious evidence of this is perhaps the Christian Movement. Making due allowance for the political aspects of Roman Catholicism and of American missionaries, there is sufficient testimony to the suppressive tactics used against native Chinese workers to justify the opinion that Christian activities as usually conducted are incompatible with Chinese Communist policy. For the present purpose this is referred to as an easily verifiable illustration rather than for other reasons. The same principle would doubtless apply to any other agency that encouraged independent thought.

(2) *Ruthless violence.* The proof of this is so abundant and so generally known that none need be cited here. It seems to be true wherever they penetrate, usually, however, not perpetrated so much by the troops on first arrival as by the political agents who follow after. The cruelty in torture and slaughter is often unbelievably extreme. These indignities and the agonies of the victims reveal and cannot but foster a callous disregard of human life which condemns the whole procedure. The destruction of railways and other public utilities, the looting of homes, the exactions upon helpless people for money or labor, all cause a vast welter of suffering for innocent people and indirectly upon the whole national economy. Government troops are constantly guilty of similar plundering and oppression, but in violation of regulations, whereas with the Communists it is a calculated policy and under instructions from the highest authorities. They

would doubtless argue that this is all a regrettable feature of total war and necessary for their own survival. But even if they succeed in overthrowing the present Government, the time when they might expect to have voluntary submission from the whole population lies far into the future and these brutal methods of reprisal, terrorism and economic wreckage will continue to be employed to maintain themselves in power.

(3) *Falsehood and deception.* There has been no lack of these in Chinese political history but never before have they been scientifically and systematically employed on the doctrine that the cause justifies any means to achieve its triumph. In broadcasts and printed matter vituperation has become a fine art. The effects are apparent, for instance, in the popular conception of American policy in communist territory and in the virulent hatred of Americans which this inflames. Whatever our failings may be, the discrepancy between communist official misrepresentation and the truth will be recognized by any informed person. The employment of secret agents in every form of disguise permeates the whole social fabric of Chinese life and the Kuomintang itself. This is of course an accepted device in warfare, but there is in this training for espionage and subversive activity among one's own unsuspecting relatives and neighbors a sinister quality which vitiates moral character at its core. This insidious technique breeds suspicion and fear and it explains, if it does not wholly excuse, the more clumsily despotic methods of the Kmt.

(4) *Soviet connection.* The myth that Chinese Communists are merely agrarian reformers has been finally disproven by Mao Tse-tung's latest pronouncement.⁷⁹ In this his commitment of his Party to close association with the Soviet Union and to international communism is unmistakable. The use of pictures of Lenin⁸⁰ and Stalin,⁸¹ of the same line in propaganda are also indications of this. The older leaders are perhaps more Chinese in their nationalistic outlook than the younger educated recruits who are described as more unreservedly pro-Russian.

(5) *Chinese popular sentiment.* In the best known books and articles on the subject in English much is made of the contented attitude of the local populace to the communist regime. This is doubtless on the whole correct. These writers were mostly at Yen-an where they saw the system at its best and where the majority of the community had traveled there from choice. Or they had visited areas

⁷⁹ See telegram No. 65, January 9, 6 p.m., from the Ambassador in China, p. 28.

⁸⁰ Vladimir Ilyich Lenin, leader of the Bolshevik revolution, 1917; President of the Council of People's Commissars of the Soviet Government until his death in 1924.

⁸¹ Iosif Vissarionovich Stalin, Soviet Prime Minister and Chairman of the Council of Ministers of the Soviet Union.

from which all dissidents had fled or been purged. The typical rural population has little interest in political theory and asks only that there be a minimum of oppression and a chance to toil quietly for its livelihood. But there is another side much less publicized. There may be occasional refugees from national to communist territory, but the overwhelming majority of these are in reverse. All classes—not only the relatively well-to-do—flee before the communist terror and prefer to live in poverty and squalor free from this menace. Those whom I have queried as to their observation agree without exception that the common people, left to their own choice, would unquestionably prefer their National Government to what they know of Communism. From a wholly different standpoint 90 percent or even 95 percent of the students are reported not to be in favor of their country being communized. This is the more significant at a time when about the same percentage are thoroughly dissatisfied with the present Government. They represent the most radical, the most idealistic, the most highly sensitized element of the population. Many of their more restive or adventurous fellows have gone over to the Communist side, usually in the belief that this is the only way out for China. Those who remain are in a state of bleakly negative despair. And yet they repudiate Communism. It is to me a surprising phenomenon.

(6) *The Corollary*. This would seem to be in substance that the Government cannot hope to exterminate Communism by military means nor to bring the Party leaders to any peace terms that it could accept. It can only win by a more dynamic policy of upholding constitutional rights and of proving its intention to benefit the economic and other welfare of the people. But in doing so there is convincing evidence that popular support could be aroused for a constructive revolutionary movement in fulfillment of the Three Principles which it is pledged to put into effect, and with modern methods that put the primary emphasis on social, educational and administrative reforms, with troops chiefly for policing and the preservation of law and order.

J[OHN] L[EIGHTON] S[TUART]

NANKING, January 14, 1948.

893.03/1-1548

The Ambassador in China (Stuart) to the Secretary of State

No. 18

NANKING, January 15, 1948.

[Received January 28.]

SIR: I have the honor to submit an account of the elections for the National Peoples Assembly which were held November 21-23, 1947.

Summary

Although complete returns on the National Assembly Elections have not been announced, it is apparent that the Kuomintang secured a large majority. Given the advantages of the party in power and the lack of any effective opposition, the result could hardly have been otherwise.

The total number of delegates to be elected to the National Assembly is 3,045, apportioned among representatives of hsien and municipalities, elected on the basis of population, and Mongolia, Tibet, border peoples, overseas Chinese, occupational groups, women's organizations and "nationals in the interior with special customs and ways of living." The heavy weighting of representation in favor of occupational and women's groups gives these organizations disproportionate influence in the Assembly and at the same time facilitates manipulation of the elections by the party in power.

Nomination of candidates was either by petition or party nomination. Party candidates had to be approved by Central Party Headquarters, and minor party candidates in districts where the Kuomintang agreed to support them had to be acceptable to the Kuomintang.

The election was administered by national, provincial and local election offices, the personnel of which were appointed by the National Government. There are some indications that the Kuomintang may have used its favored position in this setup to advance party interests.

In order to secure nationwide representation in the National Assembly, a formula was adopted whereby provisional delegates could be elected to represent areas partially or wholly controlled by the Communists, and elections for these so-called "pacification areas" were held at a later date than those for the rest of China.

Electioneering took place on a limited scale prior to the election, but no great interest was aroused among the public in general and balloting was light. It is exceptional, even among government officials, to find a person who knows anything about the details of the election or is interested in the returns.

Prior to the election the Kuomintang agreed to assist the Young China Party in obtaining 300 seats and the Democratic Socialists in securing 160. These agreements were bitterly criticized as simply demonstrating the thorough-going control which the Kuomintang expected to exercise over the elections. Unexpectedly, however, seventy to seventy-five per cent of the minor party candidates which the Kuomintang had agreed to support failed to be elected, primarily because Kuomintang members ran against them in defiance of instructions from Central Party Headquarters. In order to fulfill its pledges to the minor parties the Kuomintang sought to persuade such success-

ful Kuomintang candidates to withdraw. Although this move has met with strenuous opposition, some success has been achieved and the party leadership estimates it will be able to fulfill seventy to eighty percent of its pledge.

In a conversation with an Embassy officer regarding the election, Ch'en Li-fu attributed the sweeping victory of the Kuomintang and the miserable failure of the minor parties to the "long and glorious history of revolution" of the Kuomintang which has resulted in attracting to it most of the able men of the country, creating a situation in which the minor parties are unable to compete effectively. Ch'en stated that the Kuomintang has promised to assist the minor parties to elect 75 delegates each to the Legislative Yuan, but anticipates even more difficulty in this election than the previous one because it is harder for the Kuomintang to control the larger Legislative Yuan election districts than to control the Hsien and municipalities, which were the basic election district in the National Assembly election.

End of Summary

[Here follows detailed account of elections.]

Conclusions

The National Assembly elections were the first step in setting up the form of democratic government prescribed by the newly-adopted constitution. The form is there, but little of the substance of democracy is yet observable. Given the conditions under which the election was held, the result could hardly be otherwise. Kuomintang control over all branches of the government, complete lack of effective opposition, and the ignorance and political inexperience of the people combined to produce the inevitable Kuomintang landslide. Any consideration of the election must also take into account that a less propitious time for the experiment in democratic processes could hardly have been chosen, with the government engaged in a fierce struggle for survival, and the people preoccupied with the problems of their own livelihood.

The real significance of the election for the immediate future may lie in the rents which have appeared in the fabric of the Kuomintang itself. The importance of this can only be determined by analysis of the election returns and observation of the National Assembly in action. For the long run, some encouragement can perhaps be derived from the recognition for the first time in China of the principle that the rulers must appeal to the people periodically through electoral machinery, even though in practice, effective democratic control of the government may not materialize for many years.

Respectfully yours,

For the Ambassador:
RAYMOND P. LUDDEN
First Secretary of Embassy

893.00/1-1648 : Telegram

The Consul General at Canton (Boucher) to the Secretary of State

CANTON, January 16, 1948.

[Received January 16—8:31 a. m.]

10. Demonstration in protest against eviction of squatters in so-called walled city of Kowloon, commenced today⁸² from in front of Chung Shan Memorial Hall and proceeded through city with intent voted yesterday not to enter Shameen Island where almost all foreign consulates located. Paraders not counted but totaled many thousand including students from all universities, colleges and middle schools and labor unions carrying posters with anti-British slogans and shouting such things as we want Kowloon back and down with England. At first paraders orderly but at 12:30 they broke through the few guards on the two bridges connecting Shameen with remainder of city and massed in front of British Consulate where by 1 p. m. they had pulled down British flag in British garden in front of British Consulate despite armed police attempt protect it. Crowd rapidly increased, surrounding British Consulate and finally breaking into it. Crowd started by smashing windows and throwing furniture into street and garden in center of compound where they set it on fire. By 2 o'clock crowd had set fire to British Consulate building itself. We can see flames from this building, and latest report is that British Consulate General's residence has also been set on fire. There have been two distinct explosions but we cannot ascertain their nature. Members of this staff are not going near British Consulate for fear causing incident and all information based on reports from our Chinese employees, newspapermen and other friends. Assistant Military Attaché, Lieutenant Colonel Covington, lives on their [*the other?*] side of British Consulate from our buildings. His wife and 3 sons have just arrived here safe but in highly nervous state saying their building extremely hot from flames of British building. By 3:30 crowd had set fire to British Chartered Bank of India and Australia which now in flames. Mayor Au-yang Chu of Canton now on spot of disturbance and has ordered up fire brigade which now attempting extinguish fires. British Consul General escorted safely off Shameen Island by gendarmes and British Press Attaché and his wife, after attack on them, now safe in American Assistant Naval Attaché's house on Shameen,

⁸² The Shameen incident of January 16 was the second resulting from the action of the Hong Kong Government in ousting Chinese squatters from the Old Kowloon City area of Hong Kong. On January 5, eviction of the squatters on grounds of "sanitation" was carried out in accordance with the administration's order, notice of which had been served on the residents on December 22, 1947; subsequently, the squatters trickled back to the area, and the Kowloon incident occurred on January 12, when another eviction took place, and police action was required to check protesting demonstrators.

only injury so far reported is to a Chinese employee of the British Consulate General. Report just received that building occupied by Colonel Covington in flames. This is British-owned building adjacent to British Consulate. Will give subsequent reports adding to and confirming information herein.

Herewith later information just received: All members British Consulate accounted for. Following were injured struck by bamboo sticks or other weapons: Parkhouse and Wood of Butterfield and Swire; John Williams, British subject connected with YMCA here, and his wife who is employed in British Consulate. None seriously. Andersen, Meyer building also set on fire but not damaged. Covington's quarters appear safe.

Sent Embassy, Nanking as 11, repeated SecState.

BOUCHER

S93.00/1-1648: Telegram

The Consul General at Canton (Boucher) to the Secretary of State

CANTON, January 16, 1948.

[Received January 17—8:56 a. m.]

12. From Lewis Clark.⁸³ At previously arranged press conference today which took place while British Consulate General was burning, I departed from questions submitted in advance to say that, of course, the important thing was what was taking place down the street. After recalling my long associations with China and the Chinese and my real feeling of friendship for the Chinese people, I said that I was deeply distressed at what was taking place. Extraterritoriality was a thing of the past: China had become a great nation—one of the Big Five—and had to accept the responsibilities of a great nation. Stressing and reiterating that I was not taking any position in respect of the Kowloon incident, I said that, as a mature nation, China should seek the settlement of such disputes through diplomatic processes and not by burning the Consular premises of a friendly nature [*nation*]. The action which I was witnessing, I said, would not do harm to Britain but to China. It was not the British who would suffer from the burning of their Consulate but the prestige of China as a great nation. I expressed the hope that I would be correctly quoted as I was prepared to stand by my statements but remarked that I was speaking under the shock of what was going on while I was talking and I felt like weeping to think of the harm these events would do to China. In answer to a specific question, I gave my personal opinion that events of today

⁸³ Minister-Counselor of Embassy in China.

in Canton would prejudice consideration in the Congress of Aid to China Program.⁸⁴

Repeated to Nanking as 13. [Lewis Clark.]

BOUCHER

893.00/1-1748 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 17, 1948—noon.

[Received January 17—4:22 a. m.]

111. Mayor Wu phoned late this morning student anti-British demonstration appears to be in process formation and some of demonstrators carrying anti-American slogans. He said he was arranging police protection for American consular premises. Staff notified to take appropriate precautions.

Over 100 armed police stationed at British Consulate General compound. Protection also being given British business concerns.

Sent Nanking 84, repeated Department 111.

CABOT

893.00/1-1948 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 19, 1948—6 p. m.

[Received January 19—11:44 a. m.]

127. Reference ConGen's 87, January 17 to Nanking; repeated Dept as 114.⁸⁵ Number students demonstrating in front British ConGen Saturday afternoon variously reported by press as between 10 and 30,000. However, it is believed students actively participating did not exceed 5,000 (50 percent of whom were reported to be under 15 years of age) and balance represented mostly curious onlookers. Demonstration lasted 3 hours and was conducted generally in orderly manner. British ConGen heavily guarded by police who handled situation with tact, avoiding any action which might inflame students. Student spokesmen mounted trucks drawn in front of locked gates and harangued gathering which shouted slogans and waved banners of anti-American and anti-Government as well as anti-British character. Several student delegates carrying Chinese flag were permitted to climb over gate into compound to talk with British Consul representative. They demanded that British flag be lowered and replaced by Chinese flag. When request denied, one member of group broke

⁸⁴ For correspondence, see vol. VIII, "U.S. Economic Aid to China".

⁸⁵ Not printed.

away to summon additional student support but was intercepted by police and group eventually left ground. British women and children had meanwhile taken refuge in nearby FonOff premises. Customary lowering of British [flag] at 5 o'clock cheered crowd which dispersed about 5:30. Meanwhile at 4:30 o'clock 400 student marchers and additional 100 in trucks proceeding from British ConGen paraded by municipal government offices, posting anti-British slogans on government building and on Metropole Hotel and Hamilton House. It appeared they consciously avoided Development Building, which houses American ConGen, where uniformed policemen had been posted since noon.

Survey undertaken by member ConGen staff of hundred of slogans posted and painted by students on Bund building and on British ConGen walls indicates that roughly 40 percent were anti-Government, 20 percent anti-British, 20 percent anti-American and 20 percent anti-British and anti-American. Most popular anti-American slogans called for opposition to American imperialism, withdrawal of GI's from China; and referred to Peiping rape case.⁸⁶ Anti-Government slogans were directed against "Slave diplomacy", "Weak kneed diplomacy", "Traitor diplomacy", "compradore diplomacy", "Inefficient government", "Bureaucratic capital", "selling out south China by Govt" and "domestic tyranny and diplomatic appeasement". Those which denounced the British demanded the return of Hong Kong and Kowloon, opposition to British imperialism, and that the "Dirty British" get out.

Sent Nanking 93; repeated Dept. 127.

CABOT

893.00/1-1948: Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 19, 1948—7 p. m.

[Received January 19—7:13 a. m.]

128. Evidence thus far obtained (reContel 93 to Nanking, repeated Department as 127) points to following general pattern of events leading to demonstration: Rightist (CC) elements in Government were first to seize opportunity presented by Kowloon issue and to organize press campaign and student demonstrations with view to (1) translating student unrest into pro-Kint movement and prevent issue being utilized to strengthen leftist cause; (2) bringing pressure on British to improve Nanking's bargaining position on current Sino-British issues (especially relating to Hong Kong); and

⁸⁶ See *Foreign Relations*, 1947, vol. VII, pp. 1-22, *passim*.

(3) undermining Political Science Group through attack on "weak-kneed" foreign policy.

Ultra Nationalistic San Min Chu I Youth Corps, which has bitterly resented its subordination to "corrupt and unfit" Kmt leaders, took advantage of its strong position in local colleges and secondary schools and of genuine student sentiment already aroused against Government and US and British "imperialism" to bring about adoption by demonstrators of stronger attacks on Government and violently abusive slogans against America as well as Britain. Available evidence suggests that local authorities made no serious attempt to stop use of such slogans but did endeavor to divert main attention of demonstrators to anti-British aspect.

While leftist elements in some institutions (especially Chiaotung University, a known leftist center) undoubtedly participated and were probably responsible for some of more violent slogans, organized Communist direction has not been established and is unlikely in view of prominent role played by rightist Youth Corps.

Sent Nanking 94, repeated Department 128.

CABOT

893.00/1-1948 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 19, 1948—8 p. m.

[Received January 19—7:52 a. m.]

129. ReContel 94 to Nanking, repeated Department as 128. As a newcomer I am impressed by apparent implications of Saturday's demonstrations. Whatever forces were responsible for organizing the demonstration, fact that thousands of students were readily led by incident which exclusively involved English to demonstrate also against Americans suggests we are losing largely by default battle for their minds and perhaps those of other important segments of Chinese opinion. Whatever purpose of fomenters of demonstrations may have been, sincerity of rank and file of demonstrators could scarcely be doubted. It is strange commentary that nationalistic feeling can be stirred up against US despite traditional friendship rather than against Soviet Russia, which has done so much more to offend Chinese nationalist sensibilities. This plus good organization suggests there was something fishy about demonstrations and that elements in Government are playing tortuous game.

Whatever the inspiration of demonstrations, I believe it shows increased need for getting our case before students. I suggest consideration of following measures: (1) Representations to Chinese authorities

that first front on which to take initiative must be ideological front and that so long as Chinese Government makes no serious attempt to discourage attacks on US while repressing attacks on patent Russian imperialism any aid from US must be ineffective and will be so considered by Congress; (2) allocation of Fulbright funds ⁸⁷ with direct purpose of combatting anti-American sentiment in Chinese educational institutions.

Demonstrations also make clear need for greatly increased activity on part of USIS and hence of appropriations for it. We must not continue to let our case go by default.

Sent Nanking 95, repeated Department as 129.

CABOT

893.00/1-2048 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 20, 1948.

[Received February 5—9:16 a. m.]

A-22. Re Changchun's No. 1 of January 8, 9 a. m. and No. 2 of January 8, 9 a. m. to the Department.⁸⁸ In view of the active state of hostilities in Manchuria it is obviously difficult to obtain information of developments within Communist areas and even more difficult to evaluate that information. In the light of accumulated experience with Communist parties throughout the world in general, and Soviet activities in particular, the outline presented in the two telegrams from Changchun under reference seems wholly plausible and even probable since it fits the general pattern for which no reliable contradiction has been established in China. The Embassy agrees that direct and active Soviet military assistance probably does continue to be small if it exists at all (apart from the Japanese stores which were conveniently left behind—hardly a negligible factor), but it must be assumed that Soviet military assistance will be forthcoming in such quantity as may be necessary to assure Soviet objectives when, how and if that aid becomes indicated.

The Embassy cannot, however, agree with the statement that the Soviets probably do not desire to see the pace of Communist military success outstrip the pace of their own encroachment and control of the Chinese Communist Party. It seems well-nigh fatuous to the Embassy to assume other than that the Soviets are willing and able

⁸⁷ Provided by the Fulbright Act, approved August 1, 1946; 60 Stat. 754; see also agreement of November 10, 1947, establishing the U. S. Educational Foundation in China, Department of State Treaties and International Acts Series No. 1687, or 61 Stat. (pt. 4) 3582.

⁸⁸ Reference apparently is to parts 1 and 2 of telegram No. 2, January 8, 9 a. m., from the Vice Consul at Changchun, printed without division into parts on p. 13.

to step up the pace of their encroachment to any speed which may be indicated by developments. On the contrary, it would seem to the Embassy that with the apparent approach of increased American aid to the National Government of China it would be entirely consonant with Soviet interests that Chinese Communist victory be hastened by all means possible. The Embassy has complete confidence that the Soviets will know how to establish control over the Chinese Communists to any extent which circumstances may dictate—at least in immediate terms. The same obviously would apply to Changchun's comments on possible schismatic arrangements in Chinese Communist leadership. There is little reason to believe, for the predictable future at least, that the Soviets will not be able to dispose of opposition elements in accordance with their own objectives, or, for that matter, that the most powerful groups in Chinese Communist leadership would elect to do other than follow Soviet lead.

STUART

 393.1115/1-2148 : Telegram

The Consul General at Canton (Boucher) to the Secretary of State

CANTON, January 21, 1948.

[Received January 21—11:45 a. m.]

19 [18]. Following text of letter received from Soong as Governor Kwangtung and concurrently chairman President's Canton headquarters dated January 20 in response to written request personally presented by me yesterday for information on protective measures now in force for security American and foreign interests on Shameen and Canton:

"In reply to your letter of even date, I wish to state:

(1) that as of Sunday the 18th, the police of the special municipality of Canton, as well as the regular forces in the city, have been placed under the direct command of General Huang Cheng-kiu, who will be responsible to me for all security measures in the city.

(2) Aside from municipal police, General Huang has for the above purpose a force of regular troops within city limits.

(3) In Shameen itself, until the situation becomes normal, there are on duty or on alert in Shameen 47 gendarmes and 77 policemen, all armed, which force in the opinion of my military advisers is quite adequate.

(4) Public warning has been given on January 16 that any further outrages on person or property will be met by military force and it is now generally known that the troops and police have been ordered to use their weapons in case of necessity.[""]

BOUCHER

893.00/1-2148 : Telegram

*The Consul General at Canton (Boucher) to the Secretary of State*CANTON, January 21, 1948—3 p. m.
[Received January 22—12:22 a. m.]

20. Remytel 19 Embassy, repeated Department 18, this date. Protective measures listed by Soong not considered adequate in event of recurrence incident like that January 16 because of lack real loyal support of many high level leaders within local military and municipal groups.

In my talk with Soong he put heavy blame on mayor and chief police which will widen their disaffection. Tone local press not conducive to easing situation (see mytel 20 Embassy, repeated Department 19⁸⁹ this date) despite Soong's statement to me yesterday "storm is over".

Member my staff told by General Mui Pei Nan⁹⁰ that no request for troop aid received at army headquarters until 3 p. m. Friday.

At meeting of five prominent Americans with self and Consulate General officers and Attachés, we decided situation does not warrant evacuation American women, children now but that tentative plans for their evacuation should be made.⁹¹

Sent Embassy 21, repeated Department 20.

BOUCHER

893.00/1-1648 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, January 21, 1948—7 p. m.

99. Telegrams summarizing press reaction recent events Kowloon as well as those reporting Canton affair and subsequent demonstrations Shanghai give Dept impressions that Kmt elements among which CC clique most prominent deliberately built up pressure public indignation and touched off spark Canton riots. Once stirred up feeling this sort likely turn into indiscriminate anti-foreignism or be directed by CCP and other unfriendly Chinese into anti-American channels.

Dept of course aware Chinese utilization agitation as diplomatic weapon has been all too frequent in the past and considers proper protection US citizens requires we attempt discourage Chinese use this

⁸⁹ Not printed.⁹⁰ Lt. Gen. Miao Pei-nan, Deputy Military Affairs Commissioner at Canton.⁹¹ In telegram No. 108 to the Ambassador in China, repeated as telegram No. 11 to the Consul General at Canton on the same date, the Acting Secretary of State stated: "Dept. concurs paragraph 4. Submit evacuation plans Dept. when complete." (393.1115/3-248) For further correspondence, see vol. VIII, "Evacuation of Americans from China".

double-edged weapon. Accordingly it is requested that Minister Counselor on his return Nanking give FonMin ⁹² benefit first-hand observations Canton affair of himself, AMA, and ANA ⁹³ together with his own reactions to incident. He should (sent Nanking as 99, repeated Shanghai as 118 and Canton as 10) mention that only good fortune and presence mind concerned US citizens prevented serious harm their lives and property and that we reserve all rights with respect such property damage as did result.

MARSHALL

893.00/1-2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 22, 1948—6 p. m.

[Received January 23—2: 09 p. m.]

144. Study of this and other data on current anti-British demonstrations and violence convinces Embassy (re Shanghai's 93 of January 19, 6 p. m. to Embassy, repeated Department as 127) :

(1) That initial impetus to movement came from deliberate attempt on part of Government to distract public attention from internal difficulties by artificial emphasis on a foreign issue, namely Kowloon;

(2) that inflammatory anti-British propaganda in Government-dominated press—including editorials, slanted news stories and advertisements by commercial firms, and inflammatory statements official and semi-official persons—caught public imagination through appeal to factor of national prestige involved in Kowloon issue;

(3) that this popular sentiment became widespread and was expedited by right wing Kmt elements desiring embarrass a relatively liberal Political Science Group administration, the exploitation taking form of organizing mass demonstrations and inciting certain gullible elements to disorders and violence;

(4) that Communists took advantage this situation to use disorders as vehicle for circulation both anti-British and anti-American propaganda;

(5) that Government authorities were reluctant take strong measures necessary put down these disorders and prevent their recurrence because this anti-British and anti-American feeling now widespread and implementation repressive measures would lay Government open to charge of failure to resist "imperialist aggression against Chinese sovereignty";

(6) that despite expressed Government intentions safeguard foreign lives and property, anti-British propaganda continues unabated in Government-dominated press, with consequent implied inclusion of US, since equally effective Communist propaganda classes both as imperialist;

⁹² Chinese Minister for Foreign Affairs, Wang Shih-chieh.

⁹³ American Military Attaché, Brig. Gen. Robert H. Soule, and American Naval Attaché, Capt. W. T. Kenny.

(7) that as Government continues to foster anti-foreign feeling it proportionately reduces own capability of dealing effectively with disturbances certain to arise therefrom in future.

Combination of the above factors arouses grave concern in Embassy that any subsequent such activities might also get out of hand perhaps in an even more widespread and violent form and that the next time the US might well be the object of the violence.

Embassy therefore suggests for consideration of the Department that Embassy be authorized to bring to the attention of appropriate high Chinese officials the serious view which the American Government takes of these activities and its expectation that the Chinese Government as a sovereign state will assume full responsibility by whatever measures may be necessary to ensure that due and proper protection will be given American persons and property, and finally that the US must reserve the right to hold the Chinese Government fully responsible for any and all failures in this respect.

STUART

893.00/1-2248 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 22, 1948—7 p. m.

[Received January 22—6:44 a. m.]

156. Local Legislative Yuan elections⁹⁴ appear as completely prearranged and controlled by Govt political leaders as were NPA⁹⁵ elections, with popular cynicism and lack of interest even more evidenced. Most noteworthy difference is fact that whereas previous elections were almost entirely a CC affair managed by Pan Kung-chan⁹⁶ with CC taking majority of seats and largely dictating proportional distribution of balance to other Govt factions and minor parties, present elections reveal control now divided between principal rightist groups. San Min Chu I Youth Corporation [*Corps*], Hsuan Tieh-Wu's⁹⁷ garrison headquarters, BIS⁹⁸ secret police, et cetera, dissatisfied with CC's deal in previous elections, have since built up their election machines and assured themselves larger share of spoils. Reliable source reports that, with view to impressing foreign opinion, W. W. Yen⁹⁹ against his wishes is being elected by order of Generalissimo.

Elections in Shanghai are marked by more disorders (though of minor character) than accompanied previous elections, which is believed attributable to new multifaction basis of contest.

⁹⁴ For results of elections, January 21-23, see airgram No. A-130, May 8, from the Ambassador in China, p. 226.

⁹⁵ National People's Assembly.

⁹⁶ Kuomintang official.

⁹⁷ Lt. Gen. Hsuan Tieh-wu, Garrison Commander of Shanghai-Woosung area.

⁹⁸ Kuomintang Bureau of Investigations and Statistics.

⁹⁹ State Councilor of Chinese National Government, former Premier.

Preliminary information from provinces indicates that CC domination still effective in Kiangsu and Chekiang (richest territory which CC regards as its preserve).

Sent Nanking 116, repeated Department.

CABOT

893.00/1-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 23, 1948—7 p. m.

[Received January 25—2:04 p. m.]

150. In January 23 conversation with Ambassador, General Cheng Kai-min reported that members Political Science Group now strongly favor *rapprochement* with Soviet Union as means insuring China's neutrality in anticipated Russo-American war, and that this would lead to Soviet pressure on Chinese Communists who are said to be more interested in consolidation local political control than participation in Central Government. General Cheng also stated that Hu Lin and others closely associated with Political Science Group together with [some] of its members in Government positions are committed these views and desire see Generalissimo go abroad after elections in order that understanding with Soviet Union might be reached, realizing Generalissimo implacably opposed such an attempt.

Comment: We have been informed also of a reported suggestion by Soviet Military Attaché, General Roschin, prior to his recent return Moscow, to Shao Li-tse that Chinese Government seek Soviet good offices to end civil war. In light both this circumstance and remarks General Cheng, it is possible that Soviets have offered to mediate to end civil war and that certain elements in Government are disposed to accept offer. We believe continued deterioration Government military situation to point where Government convinced ultimate defeat likely will predispose increasing number civil and military officials toward favorable consideration Soviet offer. Recent surrender Communist General Chen Yao-te reported in Hankow's despatch 3, January 11 to Embassy, copy to Department,¹ may well be deliberately formed contact between Communist and Nationalist military officials for negotiation possible military settlement.

We are now convinced Communist determination carry civil war to Central and South China and reiterate our belief Government unable contain war north Yellow River and our belief their chances military success no more likely on newly developing combat fronts than in North China. Thus, we feel strong possibility that Soviet offer may be regarded as increasingly attractive in Nationalist military circles.

¹ Not printed.

While we still inclined as result past experience to question general reliability information emanating from General Cheng, we feel in present instance that he may be aware of indirect Soviet approaches and responses such approaches may have elicited particularly in so far as such trend would inevitably endanger not only his official position but personal safety.

STUART

800.00B Communist International/1-2448: Telegram

The Vice Consul at Changchun (Siebens) to the Secretary of State

CHANGCHUN, January 24, 1948—9 p. m.

[Received January 28—9:35 p. m.]

21. Recent reports re Comintern (reContel January 8, 9 a. m.) and Chinese Communist political activities north Manchuria follow. Information obtained chiefly from intelligence operator and local non-partisan politician whose statement he has close connections with certain prominent Communists Harbin appears true: Executive Committee Chinese Communist Party northeast commencing this month recruitment substantial number students for training at Government expense Chiamussu. Training given there ultimately to be used in positions political administration. Applicants for training must be graduates senior middle school, healthy, and pro-Communism. Lin Feng, known to me from other sources as reputed pro-Soviet Chinese, to be dean of new institution. He and one Chen Kuang-chou reported to have been selected in October by Executive Committee to proceed to Russia for 3 weeks "to study northeast affairs of Comintern." He departed in November and no info available about his return.

In September Soviets planned send 41,000 former Kwantung troops² to north Manchuria to assist Communists. This assistance not to be on field battle. Plan did not materialize but Chinese Communists reputed to have asked recently for 20,000 [Japanese?] on condition they be pro-Communism. Hsieh Yu-chin, chairman Sino-Soviet Association Friendship and Amity and previously reputed somewhat anti-Soviet, appeared [*disappeared?*] early part January and now discovered to have been detained by Harbin garrison headquarters because of alleged anti-Soviet sentiment and opposition to Communist policy of transfer of population. This policy has been one of transferring selected elements of population Harbin which possibly non-sympathetic to Communism Trpeian [*to Peian*] and Mutankiang. Transfer was planned in four moments [*movements*], of which three already occurred. Hsieh Yu-chin reputed to have opposed policy in general and particularly fourth movement, which

² Japanese army in Manchuria in Soviet custody since surrender in 1945.

scheduled take place during extreme cold resulting in large scale suffering among deportees. Liu Cheng-tung, mayor of Harbin and in charge execution transfer population, discontinued population movement after transfers during cold resulted in some deaths. He is reported now to be under surveillance for non-execution Communist policy.

Leader of embryonic "people's group" peace movement northeast (re Consulate's despatch 1, [January 11,] 1948 to Embassy ³) recently arrived with message to him from Harbin states anti-Soviet Communist circles with whom he [is] in contact there stated "Chinese Communists are presently having difficulties with Soviets" but that they would not divulge nature difficulties. Unrelated source made similar statement to me today and gave as his belief that difficulties stemmed from Soviet tendency be too dictatorial in advice to Chinese Communists and becoming too cocky at Harbin. Military survey detachment (re Consulate's reference telegram) has finished survey work with submission some 700 maps to Soviet Consulate [at] Harbin for onward shipment. Group reputed disbanded. Seventeen carloads soya beans and nineteen carloads wheat exported Soviet Union from Harbin to Manchouli December 28.

Three Soviet aircraft landed Harbin January 2 with four Chinese and six Russian passengers plus freight. Passengers proceeded to international book store (re Consulate's reference telegram) and freight delivered to Soviet Consulate.

One Soviet aircraft landed Harbin January 2 with large load machinery and six Soviets. Four of six Soviets technicians. Machinery said to be of type for manufacture rifles and to be installed in arms factory now being established Harbin in former premises Bank of China.

Submit above info with reservations as to its authenticity but note that primary sources known to me for some time on friendship basis, have been increasingly candid about their own sources, and that certain other info submitted by them in past has checked with reports other sources.

Department please relay to Embassy Nanking as Changchun's 41.

SIEBENS

893.00/1-2648: Telegram

The Vice Consul at Mukden (McKelvey) to the Secretary of State

MUKDEN, January 26, 1948—noon.

[Received 9:57 p. m.]

51. Communists making major effort take Hsinlitun after reportedly massing 9 columns for attack. Communists have penetrated

³ Not printed.

Government defenses and are now fighting within city. Arrival Wei ⁴ reportedly improving morale troops. One biggest problems Chen faced upon arrival unwillingness certain commanders commit their troops action. Chen attempted circumvent this by shifting commands. This not satisfactory as commanders did not develop pride in troops and troops in turn failed develop confidence in leader. As result troop efficiency and morale very low upon Wei arrival. Wei reputation as good commander believed spreading rapidly among troops and headquarters personnel and friction which was becoming very noticeable now reported disappearing.

Sent Embassy as 63, Department 51, Peiping 37, Tientsin 32.

McKELVEY

811.20200 (D)/1-2648

The Ambassador in China (Stuart) to the Secretary of State

No. 33

NANKING, January 26, 1948.

[Received February 11.]

SIR: I have the honor to enclose for the information of the Department copy of a memorandum dated December 19, 1947 ⁵ which was prepared by Miss Mary E. Barrett, Chief News Editor, USIS-China. This memorandum which sets forth her objections to the extension of USIS work to Chinese prisoner of war camps is being transmitted for consideration of the Department at the insistence of Miss Barrett. She was informed that the Acting Director of USIS and the Embassy are in strong disagreement with her views and that the Embassy would feel constrained to express its opinion. She agreed to any procedure on the understanding that her memorandum be submitted to the Department for its consideration.

In its comments on the memorandum the Embassy might take as its text the question once posed by Pontius Pilate, sometime Procurator of Judea, on the subject of truth. In brief, it appears to be the opinion of Miss Barrett that utilization of USIS materials for Communist prisoners of war results in an identification of the United States with the National Government of China; that it is a violation of the fundamental concept that USIS exists primarily to present a fair and full picture of the United States; that it is a dissipation of energy among groups who are of little consequence in the Chinese community; and that the net result will be disillusionment among the prisoners of war when they realize that the objectives of the United States and of Nationalist China are not one and the same thing.

⁴Gen. Wei Li-huang, appointed Deputy Director of Generalissimo Chiang Kai-shek's Northeast Headquarters and concurrently Commander in Chief, Northeast Bandit Suppression Forces.

⁵Not printed.

In reply to the above the Embassy would state its understanding that whatever may be the approval or disapproval of any given individual it is the avowed policy of the United States to support and assist in the rehabilitation of the National Government of China with the objective of weakening and nullifying the Communist effort and that USIS has and should have a definite role to play in the interpretation of this policy. Granted it is the American view that presentation of truth is in itself the most powerful weapon of persuasion, there is the added factor that being human and therefore fallible we must present truth as we see it. During the course of history many groups and individuals have claimed to have had a monopoly on truth in its abstract sense. History so far fails to record any instance in which any dogma with such pretensions has succeeded in attracting universal and timeless support. It seems to the Embassy unfortunate that in times as sharp as those in which we live it should still be necessary to refute dogmatic and hazy conceptions of truth, however honest and idealistic the motivation may be. The facts of the struggle in China today are that he who has force and the knowledge of how to use it will come to power. Intellectual and academic circles in China lack that force and furthermore lack the strong will power and the conviction of rightness which can make them an effective instrument in the Chinese community. If a selection between audiences became necessary the Embassy would incline to the view that some presentation of the American scene would be more useful when given to Communist prisoners who after all have been subjected to at least a certain amount of indoctrination of the Communist view, than to Chinese intellectual groups who are presumed to have some knowledge of the American way and a readier access to information thereon. Communist prisoners when released are returned to their native villages where the prospects of their ever subsequently being reached by USIS are almost negligible. The Embassy questions, incidentally, whether any Chinese audience has ever had to be forced to look at any motion picture on any subject. The Embassy's only regret is that the limitations of budget prevent an ever greater program among prisoners of war. It seems unlikely that utilization of American propaganda instruments by Nationalist China will necessarily result in losing the American identity of material. If that identity should be lost it would seem to be the fault of the one who is presenting it rather than of the material.

The fear which Miss Barrett expresses that the American definition of democracy would be confused with the definition professed and practiced by the Nationalist Government seems to be largely a tilting at windmills. To the average Chinese who comes in contact with our material, either definition is meaningless. He is interested primarily

in enough to eat, a reasonable freedom from oppression and will in the predictable future follow that leader who can persuade that he will give both. To speak of democracy in our terms to those who are cold, hungry and illiterate, is to make a mockery of the term and to follow the same tragic error which has so largely nullified the traditional role of the Chinese intellectual in his own society. It would seem to be in the American interest to persuade those who can do something about it that the side which the United States supports is best calculated to fulfill the minimum desires of the peasant. The time has not yet arrived when a program of propaganda in China can yet hope to appeal to the Chinese masses on the basis of the generalities of philosophy and political science. It is painfully apparent from the success of the Chinese Communists that this lesson at least they have learned.

In fairness to Miss Barrett it should be stated that the Embassy does agree with one point she has made, namely, that it is almost one full year now since USIS has received any new directive from the Department. It is apparent that the situation in China and in the world at large has undergone marked changes demanding constant review of the USIS program if the program is to be effective (reference Shanghai's Despatch No. 38 of January 12). The Embassy and USIS may well indeed have been lax in not putting forth more suggestions than they have, but we also believe the final determination on such matters must necessarily be made in the Department which has available a more comprehensive basis on which to make such decisions than is the case in China.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor

811.20200(D)/1-2848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 28, 1948.

[Received January 28—10:30 p. m.]

169. Following is translation of article published in Nanking Independent *Hsin Min Pao* on January 28:

Dr. Hollington K. Tong, director of the Government Information Office, gave a speech at the Central Political University yesterday. He spoke on the subject "How to Change US Opinion of China." Dr. Tong said that recently China has reached a new low in the public opinion of other nations, particularly that of America. It is not surprising that Communists and leftists should speak against the Government, but many US reporters, when they come across any corruption or graft, play up the cases, making the US public believe that

the entire Chinese Government is corrupt. For instance the information office of a certain nation (USIS implied—Ed.) sent out a total of 66 news despatches between July and December 1947. Most of these despatches are copied or quoted from a certain newspaper. Fifty-nine of these despatches are unfavorable to China, one is neutral and only six show sympathy for the Chinese Government. The attitude of the information office is decidedly one-sided. Dr. Tong said that the first step towards the correcting of such unfavorable opinions abroad is to modify the public opinion at home. The people and the press should realize the many difficulties confronting the Government, and understand that an overnight reform is almost impossible. Dr. Tong expressed the hope that the press would stick to the truth. If the Government is not good, say that it is not good, but praises should be given when the Government deserves them.

STUART

811.20200D/1-2848: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 28, 1948.

[Received January 28—1:31 p. m.]

170. At weekly press conference on January 28, Dr. Hollington K. Tong, director of Government Information Office, was questioned by correspondents with regard to his statement to the students of the Central Political Institute (reEmbtel 169, January 28) that over a period of 6 months, something like 60 editorial comments were circulated by USIS in China. He claimed that about 90 percent were anti-Chinese or very critical of the Chinese Government.

He was asked whether the Chinese Government considered that USIS is deliberately slanting its editorials to reflect upon the Chinese. He replied that the Chinese Government did not consider this the case but did feel that some interesting and important news items favorable to China were not included in these articles, mentioning that full space had not been given to Bullitt's statements.⁶

Dr. Tong claimed to have based his statement on a study he made over a 6-month period (from July to December), but also admitted taking some of the figures from an article in *Time* magazine.

Dr. Tong appeared very much embarrassed and apologized to the USIS director who was present at the conference, claiming that his statement was made in an off-the-record talk and was not intended to be published.

STUART

⁶ William C. Bullitt, former Ambassador to the Soviet Union and to France, had been writing for *Life* magazine.

893.00/1-1948 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, January 28, 1948—4 p. m.

138. Dept doubts whether short-range advantage outweighs long-range liability in any attempt use Fulbright educational exchange program for immediate political purpose (Shanghai Contel 129⁷ recommendation 2). Dept unclear whether ConGen recommendation implies withholding personnel from or assigning personnel to anti-American institutions.

Dept hopes achieve through USIS informational program end desired by ConGen. With passage Mundt Bill⁸ Dept submitting supplemental appropriation request for remainder present fiscal year and requesting substantial increase for 1949 fiscal year. If approved new appropriation would authorize 35 Americans, 205 alien employees USIS China. These figures confidential.

Proposals on anti-US propaganda Deptel 1567 Dec 24⁹ expectable shortly.¹⁰ Sent Nanking 138; repeated Shanghai 155.

MARSHALL

846G.00/1-2948

The Ambassador in China (Stuart) to the Secretary of State

No. 37

NANKING, January 29, 1948.

[Received February 11.]

SIR: As a possible interest to the Department I have the honor to quote below the text of a memorandum of conversation between the Minister-Counselor and Sir Ralph Stevenson, British Ambassador to China:

"Sir Ralph Stevenson called me aside yesterday (January 27, 1948) to discuss the Kowloon incident. He said that he had finally agreed that the Hong Kong authorities could proceed to the destruction of the huts at Kowloon after he had received assurances that such action was necessary in the interest of the health of the community; that there was no question of British jurisdiction; and that the matter would be handled with care. He confirmed the agreement between the Chinese and the Hong Kong authorities to 'let sleeping dogs lie' after the first incident, then took the 'British' position that this agreement had been first breached by the action of the Pao An Magistrate in demanding that the squatters re-build their huts if they wished to receive relief rice.

⁷ January 19, 8 p. m., p. 50.⁸ United States Information and Education Exchange Act of 1948, approved January 27, 1948; 62 Stat. 6.⁹ Not printed.¹⁰ See despatch No. 103, March 1, from the Ambassador in China, p. 123.

"He said that now he had reported to his Government that there seemed to be various courses of action open: The dispute could be settled by arbitration; it could be submitted to the International Court; the British could let the matter drop; or they could stand by their guns in respect of Kowloon.

"Sir Ralph felt that even if the dispute were submitted to arbitration or to the International Court, the Chinese would continue their anti-British propaganda and their agitation of the issue. He didn't think the British should let the matter drop at this stage as the Chinese would immediately cry to the heavens that they had won a victory. Accordingly, he had recommended the last course and there is evidence in the papers this morning that the British Government has followed that advice and is standing firmly by its guns.

"In response to an inquiry from Sir Ralph, I said that to me personally, regardless of whether the British did, in fact, have jurisdiction over Kowloon, it seemed rather shortsighted of the Hong Kong authorities to force the issue with guns and tear gas. Any one with even slight experience in the Orient should have known that such action under the circumstances existing could only result in a flareup of anti-British sentiment and that in such instances in the past the British had wound up on the short end of things. I told him that I had gathered the impression in Hong Kong that the Kowloon issue was only one in a series of Chinese continuing efforts to embarrass the Hong Kong authorities. Knowing the Chinese as I did and their sentiments in respect of British occupation of Hong Kong, I said I thought he could be sure that the Chinese would never permit any opportunity to embarrass the British authorities in Hong Kong to pass without exploiting it to the fullest. He could expect, I said, that Hong Kong would remain a constant irritant in Anglo-Chinese relations so long as it remained in British hands and I thought the British Government would wish to take into consideration whether the best interests of Britain lay in continuing this irritant or in removing it at some appropriate time.

"To all this latter, Sir Ralph agreed completely."

Respectfully yours,

For the Ambassador:

LEWIS CLARK

*Minister-Counselor
of Embassy*

893.00/1-3048: Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 30, 1948—3 p. m.

[Received January 30—4: 07 a. m.]

204. Student trouble (reported Contel 152, January 29 to Nanking, repeated to Department as 199¹¹) took place at Tungchi University (not Fuhtan), one of leftist student centers. Mayor was knocked down

¹¹ Not printed.

and beaten by group of five students while attempting persuade student body abandon plans for going en masse to Nanking to protest dismissal number of students involved in violation school regulations. Only mayor's shouted orders prevented police opening fire on students.

Campus surrounded throughout day by cordon of 1,000 police and garrison troops. Eight police reported injured one seriously when students stoned them. *Sin Wen Pao* stated up to late last night over 100 students held responsible for instigating disorder had been arrested.

Mayor had ordered end to 14-day-old strike. Vice Minister of Education Han Li-wu arriving Shanghai today to help settle strike. Press reports Ministry will order dissolution of school if students refuse to call off strike. Trouble stems from students' refusal early in month to reorganize self-governing student association along lines dictated by new regulations issued by Central Government authorities.

Sent Nanking 156, repeated Department 204.

CABOT

893.00/1-3048 : Telegram

The Vice Consul at Mukden (McKelvey) to the Secretary of State

MUKDEN, January 30, 1948—4 p. m.

[Received January 30—9:32 a. m.]

57. For Butterworth for [from] Ward. Little change since mytel 49, January 24.¹² Major military development Communist capture Hsinlitun which affords Communists ideal base operations attack Hsinmin, Fuhsin, Chinchow and continue disruption Mukden-Peiping rail line. Communists now massing Kowpangtze-Tahushan area. These troops in position either move northwards attacking Hsinmin or southwards attacking Chinchow. Probably main immediate purpose Communist massing prevent juncture Fan Han-chieh¹³ troops reportedly Chinchow area with Government troops Hsinmin area. Government presently entirely on defensive. Only Government hope future victory appears to be that time may work in favor through anticipated American aid, over-extension or over-confidence Communists, or major Government victory astra-[intra-?]mural China permitting large Government reinforcement northeast. Present Government strategy pointed entirely opening and maintaining corridor Mukden-Peiping. Wei Li-huang proceeding cautiously and slowly. Only public statement made to date to effect did not believe Communist situation would be too difficult to deal with. Believed Wei presently engaged for-

¹² Not printed.

¹³ Commander of First Army Corps.

mation staff capable circumventing jealousies and friction within military organization, which were reaching danger point immediately prior Wei arrival. Unverified rumors PNEH as such will be reactivated. Verified reports personnel PNEH will be greatly reduced in number. Political and military situation Mukden very quiet as Chinese New Year approaches. No rumors or indication rioting may occur. Black market demand US dollar remains weak. Average exchange rate US dollars for TP past 7 days 20,000 *tungpei* per one US.

No distribution this radio from Mukden. [Ward.]

McKELVEY

893.00/1-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 30, 1948—5 p. m.

[Received January 31—3:08 p. m.]

187. From Lewis Clark. In compliance with Deptel 99 January 21, 7 p. m., I called today on Foreign Minister¹⁴ and gave eyewitness account of events Canton, stressing that once passions have been aroused thru distorted reports of events and mob has gathered it is impossible control situation or prevent, as in this case, what started out to be anti-British agitation from developing into indiscriminate general anti-foreignism. I remarked that such methods might by some have been considered appropriate so long as the extra-territoriality regime existed but under present conditions it could only result in discredit to China which had become a great nation and should act as such. I remarked that on Shameen, had the wind been blowing another direction, much property other than British would have been destroyed, and that in the [*any*] event it was only the heroic action of Capt. Maloy and Lieut. Leutz, who were piloting plane which had brought me to Canton, that had prevented fire from spreading to buildings occupied by our Assistant Military Attaché and his family. (Maloy had in fact taken gun away from Chinese soldier, shot out lock of adjoining apartment and extinguished fire then starting.) I said we did not take any side in dispute over Kowloon but were deeply worried over this return to methods of diplomatic pressure which had proved disastrous in past, had proven ineffective in this case, and could only do harm in the future. I said we hoped earnestly that Chinese Government having come of age could take measures to prevent recurrence of such incident.

Dr. Wang thanked me for my eye-witness statement and with obvious emotion recounted Chinese side of Kowloon incident, accusing

¹⁴ Wang Shih-chieh.

British of breaking an informal understanding "to let sleeping dogs lie" and went on to say that after a meeting of Kmt Party leaders in Nanking January 18, strict instructions had been sent thru Central News Agency that all party organs should play down incident and under no circumstances would Party permit creation of a situation such as that which had resulted in Boxer uprising.

Dr. Wang said that he felt deeply that Anglo-Chinese friendship was essential in the broader world international picture and he was determined insofar as he was able to prevent question of retrocession of Hong Kong from jeopardizing Anglo-Chinese relations. He could not, of course, prevent clamor for retrocession of Hong Kong but he hoped to keep it within bounds which would not unduly disturb China's relations with Britain. One day Hong Kong would of course have to return to Chinese sovereignty but this was not the time to press issue.

Dr. Wang went on to say that the Kmt was comprised of various shades of opinion and its various elements could not always be expected to pull in same direction at same time. (To me a tacit admission that in his mind elements of Kmt were responsible for Shameen incident.) Nevertheless he said he hoped that some method would be found to curb student activities and prevent a recurrence of inflammatory conditions such as those which surrounded Shameen incident. Students were unhappy over situation in China, over their own economic outlook and over general world picture. They could not keep their minds on their books and were therefore doubly difficult to control. He left me with impression, however, that he realized serious implications of what had happened and of necessity to prevent further similar situations from arising.

My talks on this subject with T. V. Soong, Governor Grantham ¹⁵ of Hong Kong, Foreign Minister Wang and Vice Minister Yeh ¹⁶ and others lead me to following conclusions in respect Kowloon incident and its repercussions:

In itself issue was unimportant and should have been settled through normal diplomatic procedures. All concerned agreed "to let sleeping dogs lie" and thought there had been agreement to that end. British sincerely desired to clean what they felt to be an unsanitary situation. Chinese were willing for them to clean it up. The Pao An magistrate instigated by Nationalists (British say left Kmt elements) stepped into picture, proclaimed Chinese sovereignty over area and told squatters to rebuild their shacks or be deprived of relief rice. With typical British colonial arrogance in respect of Asiatic peoples, Hong Kong authorities took offense and acted with remarkable lack of vision and

¹⁵ Sir Alexander Grantham.

¹⁶ George K. C. Yeh.

used force to evict squatters. "Blood having flowed", Chinese felt British were morally in wrong and hoped to keep them in that position. Nevertheless a Nationalistic press got out of control, painted lurid pictures of blood flowing in streets of Kowloon and aroused passions of people to such extent it was necessary to permit some outlet their emotions. No Chinese official dared take strong position in opposition contemplated demonstrations for fear of being accused of being unpatriotic and pro-British. Result was demonstrations, which in origin, as Department points out, were aimed to obtain diplomatic ends, got out of hand. On Shameen demonstration was peaceful until arrival upon scene of high school students in uniform and hoodlums in civilian dress when destruction of British property took course which had obviously been systematically planned. In Shanghai of course what began as anti-British demonstration wound up as anti-American as well. In each case I feel confident original purpose of organizers was merely to demonstrate against what was considered arbitrary British action. In each case, however, opportunists took advantage of a golden opportunity to serve their own purposes. In Canton there was no evidence of Communist implication, but what seemed to be an obvious desire on part of someone (I believe CC clique) to embarrass T. V. Soong. In Shanghai, of course, it was Communists following the party line.

As I see matter, question of retrocession of Hong Kong will continue to remain an obstacle to Anglo-Chinese amity until Hong Kong is once more under Chinese sovereignty. As mentioned above, Chinese Foreign Minister is determined insofar as possible to prevent status of Hong Kong from jeopardizing Anglo-Chinese amity. It seems to me inevitable, nevertheless, that British Government would wish to take into consideration fact that some day at some stage in relations between Britain and China it will be necessary to retrocede Hong Kong and that possibly recognition of that fact at this stage might have beneficial effect on relations of Britain and China. [Lewiss Clark.]

STUART

893.00/1-3048 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 30, 1948—6 p. m.

[Received January 30—9:37 a. m.]

209. Re Contel 154 dated January 30.¹⁷ Similar violent editorial on subject of American policy toward Japan was published in January 29 issue of influential *Tung Nan Jih Pao* (CC organ).

¹⁷ Telegram to the Embassy apparently not repeated to the Department. ..

While such editorials follow general tone of much previous local press comment, apparent timing of these especially vicious and incendiary attacks to coincide with Pei Tsu-yi's¹⁸ visit in US and reported presentation to Chinese Government of US plan for rehabilitation Japanese economy suggests strongly that Nanking may be once more resorting to practice, too often adopted with disastrous results by China in past and recently repeated in connection with Kowloon eviction case, of fanning popular Chauvinism to point where Government can intimate that it cannot be responsible for consequences if pushed too far toward accepting unpalatable conditions in international negotiations. It would appear also to be case where Government fighting for its survival and desperately needing (1) American aid and (2) popular support, is seeking to gain such support by easy but dangerous method of helping to swell, in the hope of riding upon, a wave of anti-foreignism (directed largely against the very source of aid it wishes to obtain) instead of by sound but difficult method of basic reforms.

Ta Kung Pao editorial under reference climaxes long series of increasingly anti-American editorials most of which have centered on that paper's thesis that China must block "America's attempt to make Japan anti-Russian base". Especially unfortunate impression is created by fact of paper's traditional reputation for fair-minded objectivity and its identification in eyes public with Political Science Group now to [so] prominent in direction of Chinese Government and its foreign relations. Large degree of responsibility on part of Group and of Government would appear unescapable as indicated by facts: (1) that paper's views on American policy toward Japan have long been paralleled by similar and scarcely less persistent attacks on US in Kmt-controlled press; (2) that as confirmed by many informed sources, Government while forbidding *Ta Kung Pao* to editorialize on certain specified subjects allows it complete freedom in other specified fields, and that it must obviously have indicated to paper its non-objection to attacks on our Japan policy; (3) that Political Science leaders have not denied their reported control of paper.

If opportunity presents itself I intend to make informal representations to paper's local editors pointing out that they should have as much natural affinity for our point of view as any newspaper in China and that editorial shows no real comprehension of issues involved. Suggest that Embassy might also wish to take up matter with Wang Shih-chieh or other high political science leader now in Government such as Wu Ting-chang¹⁹ (reported owner of paper). Department

¹⁸ Head of the Chinese Technical Mission to the United States; for correspondence, see vol. VIII, "U.S. Economic Aid to China".

¹⁹ Director of the Department of Civil Affairs of Generalissimo Chiang Kai-shek's Headquarters, generally referred to as Secretary General; in May he was appointed Secretary General of the Office of Generalissimo Chiang Kai-shek.

may see desirability of (1) issuing more frequent public statements of our policy toward Japan and (2) supplying USIS interpretative counter material.

Sent Nanking 158, repeated Secretary State 209.

CABOT

811.20200(D)/1-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 30, 1948—6 p. m.

[Received January 31—9:36 a. m.]

188. Development of anti-American attitude in Chinese press, largely Govt controlled, as outlined in Shanghai's despatch 38, January 12, is typified by statement of Hollington K. Tong, Director Govt Information Office, contained in Embtels 169 and 170, January 28.

Although we have on several occasions recently taken the opportunity to point out to officials of the Chinese Govt that we are not unaware of this development in the vernacular press and that we view it with some concern, we feel that at this time, following the retailing of obvious untruths about the US to the student body of the Central Political Institute by a responsible official of the Chinese Govt, we should take occasion to make informal representations to Foreign Minister pointing out the obvious adverse effect such unfounded statements could have upon consideration by Congress of a program of aid for China.

A prompt expression of the Dept's opinion in this connection will be appreciated.

STUART

893.00/1-3148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 31, 1948—1 p. m.

[Received 4:42 p. m.]

192. Reports from Consulate[s] confirm clean sweep National Assembly elections by Kuomintang. Almost no independents reported elected except for few nominated or supported by Kuomintang. Only outstanding exception reported was Tsingtao where independent overwhelmingly defeated CC candidate and was subsequently accused of wartime collaboration with enemy in effort to force his resignation (reDeptel 46, January 10²⁰).

²⁰ Not printed.

Although nearly all elected delegates were Kuomintang members, considerable number were not those nominated by Central Party Headquarters but candidates with strong support who ran against Kuomintang candidates designated by Nanking or against Kuomintang-supported minor party candidates. In absence careful analysis of as yet unpublished nation-wide election returns, it is impossible determine extent to which this took place but general pattern is now clear.

In Shanghai and generally throughout Kiangsu and Chekiang, stronghold of CC clique, dominance of Central Party Headquarters was unchallenged. CC took majority of seats and largely dictated proportions won by other factions and parties. Party also reported to have met with little opposition in Tsingtao, Peiping, Tientsin and Mukden. In Hankow struggle between two Kuomintang right-wing factions resulted in 60 to 70% seats going to Youth Corps and 30 to 40% to CC, directly reversing pre-election strength these groups. Only Kwangtung, Szechuen and Yunnan exhibited substantial opposition to Kuomintang dictation by defeating considerable number of Kuomintang nominees. In Yunnan, where Consulate reports CC strength steadily decreasing past year, more than half Kuomintang nominees were defeated.

On basis available information, election returns appear to reflect faithfully extent of Central Government control over districts where elections were held: Where Central Government comparatively strong, Kuomintang Central Party Headquarters manipulated elections as it chose: where comparatively weak, local interests asserted themselves in defiance Kuomintang orders. There is no evidence these interests represent either freely-expressed will of people or liberal opposition to dominant right-wing of Kuomintang but their appearance does reveal dissension in ranks. Consequently, party leaders, in effort to enforce party discipline, ensure control of National Assembly by CC clique and satisfy minor parties, have been attempting enforce *ex post facto* regulation prohibiting party members from running without party nomination but have encountered strong opposition and in two months of negotiation have so far failed to reach satisfactory compromise.

Fact that opposition to CC party leadership has appeared in some areas might be interpreted as indicating a weakening of CC control over the party machine but it seems more likely that this simply brings into open a situation which already existed. Control by CC and other right-wing elements over National Assembly appears assured but extent and character of opposition difficult to determine until Assembly can be observed in action.

STUART

893.00/1-3048 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, February 3, 1948—7 p. m.

173. Butterworth has communicated Pei Tsu-yi substance Shanghai's 209 Jan 30 and discussed with him light in which *Ta Kung Pao* has been portraying US policy and actions. Pei states he will convey by personal letter to Chang Chun his own views as to undesirability *Ta Kung Pao* indulging such attacks on US.

Dept considers attempts bring about cessation *Ta Kung Pao* criticism US by inducing ChiGovt exert official pressure upon that paper probably would have result opposite that intended and might have other undesirable repercussions. It does however consider useful purpose might be served (sent Nanking as 173 rptd Shanghai as 197) by tactful discussion subject with Wu Ting-chang and others associated with him in its control and management. We concur desirability full utilization available public statements policy re Japan and interpretive comment as suggested final sentence Contel Jan 30.

In conversation with Kan Lee,²¹ Butterworth remarked that Hollington Tong's many friends in Dept recognize difficulties under which he works and have no desire embarrass him but regard it as extraordinary (Urtel 188 Jan 30) that official Govt spokesman should make such gratuitous and factually incorrect statements. Dr. Lee agreed write Tong personal letter in premises and informally apprise FonMin of his action. Dept accordingly considers representations FonMin on this subject unnecessary.

MARSHALL

893.00/2-348 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, February 3, 1948—9 p. m.

[Received February 3—1:35 p. m.]

240. ReContel 156, January 30 to Nanking, repeated Dept 204. Press reports indicate Tungchi University students subdued and majority have returned to class although number of professors have been absent since incident. Ministry of Education authorities state order for dissolution of University will not be enforced. Twenty-six students have been handed over to Woosung-Sh[angh]ai garrison for trial by special military court. Number includes those believed to have attacked mayor and students, suspects of being Communist agents and responsible for having instigated uprising.

²¹ Secretary General, Chinese Technical Mission in the United States.

Vice Ministry [*Minister*] of Education has been in conference with presidents Shanghai Universities on measures prevent further outbreaks in school. While incident is believed to have passed crisis, student feeling roused is believed likely to result as in past in formation new student committees in various schools to protest arrests and military trials, increasing likelihood of further trouble in future.

Sent Nanking 153, repeated SecState.

CABOT

893.00/2-448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 4, 1948—11 a. m.

[Received February 4—6:16 a. m.]

217. Reference Deptel 138, January 28, 4 p. m. Embassy agrees with Department view that suggestion in Shanghai's 129, January 19 for utilization of part of Fulbright funds to counteract anti-American feeling in Chinese universities is of doubtful utility. Embassy believes USIS (United States Information Service) is better instrument for this purpose and in any event does not see how the Fulbright money could be used unless an outright grant were made to USIS. Embassy conceives of Fulbright foundation in terms of a longer range program.

STUART

893.00/2-448 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, February 4, 1948—11 a. m.

[Received February 4—8:10 a. m.]

248. Events past 2 weeks and information reaching us from various quarters point to accelerating deterioration situation especially last fortnight and to likelihood worse troubles in immediate future. Grounds apprehension that local authorities will prove less and less able to cope with them effectively. Among more disturbing factors leading us to such conclusions are:

1. Impressive evidence of well-organized Communist infiltration and bolder agitation in schools and key labor groups: While concrete evidence of Communist instigation of recent mob actions is difficult obtain, weight of evidence and well-informed opinion indicates Communists are constantly fanning discontent, lawlessness and utilizing every opportunity to augment if not instigate disturbances. My French colleague, who is exceptionally well-informed through channels inherited from pre-war French concession days, stated that Communists well-organized in utilities, textile factories and department stores, have

elaborate plans for further strikes including French tramways (whose workers would have already staged strike had not their New Year 2-month bonus demands been temporarily met) and are forcing good workers with threats of violence to promise support such demonstrations as may be on their program.

2. Growing spirit of unrest and lawlessness tending increasingly toward violence: While mayor's courage in handling recent Tungchi University trouble has won admiration, fact of his being subjected bodily violence is an example likely encourage lawlessness. According to French colleague's informants, Communists are stressing this factor and plan stage initial series strikes to demonstrate to public incapacity of authorities to cope with mob action, thus preparing ground for general upheaval which Communists have next on program.

3. Jittery nerves and lack self confidence of local authorities, who admit inability effectively to meet problem of infiltration of city by large numbers Communists among refugees and are resorting ineffectively to emergency measures, contributing to general alarm of populace, such [as?] night patrol, census checkups, and mass police investigations of suspected sections of city with declaration of curfew and martial law a probability in near future. Pressure of raiding Communist forces in areas near Shanghai seem timed to exploit this nervousness. Garrison commandant Hsuan Tieh-wu informed Assistant Military Attaché that Nanking has ordered him despatch half his Shanghai force to Kiangyin to counter Communist threat there leaving him only 10,000 troops inadequate ensure maintenance order here and that after protest he was only able obtain Nanking's permission for him to organize replacements at own expense. He is reportedly to be canvassing local business men generally a bad omen. Hsuan is known to have advised close foreign friend employed by American firm to have his wife leave Shanghai in view of trouble to be expected in next few months.

4. Recently issued "shoot to kill" order governing future police action, which, if implemented, will result massacres, likely to spark off more serious events.

5. Uncertain dependability of troops and police: as indicated by Hsuan's confidential admission that he has doubts re loyalty his troops and by information from French ConGen that Communists have definitely penetrated municipal police organization. In recent student demonstration re Kowloon, students made conspicuous efforts to keep police friendly to them and create spirit solidarity. Behavior police in connection with other more recent mob demonstrations reported by ConGen suggested apparent reluctance to act promptly and vigorously. This may be attributable in part to long-standing friction among police and military police and other local govt organs, a serious enough factor in itself which bodes ill for effective handling of more serious troubles. Local authorities dislike of Nanking's instructions, such as those ordering closure dance halls, said to be additional demoralizing factor. Reports also indicate authorities feel none too certain of support from Tu Yueh-sheng's²² underground army and are trying to buy his loyalty by increasing favors.

6. Reports of moves by wealthy Chinese to leave for Hong Kong.

²² Shanghai banker and industrialist.

7. Increasing apprehension of trouble on part of local foreigners, and members Consular Corps, several of whom including British and French have called here recently to express concern over situation and to discuss protective measures and evacuation plans. Such fears are admitted by persons certainly not given to alarmism such as L. K. Little ²³ who tells me he recently noted in his diary the wish that his daughter were not in China.

8. Easily arousable anti-American feeling as indicated by demonstration re Kowloon, strength of Communist propagandists and anti-American tone of many local papers foolishly encouraged by Govt.

9. Difficulties of ensuring protection and evacuation facilities for foreigners as compared with pre-war extraterritorial period.

All this would indicate events moving rapidly toward point where general breakdown law and order endangering foreign communities might well eventuate possibly with great suddenness. As observed by British colleague, danger from without could probably be easily anticipated but danger from within could develop overnight with little or no warning. ConGen in consultation with our Army and Navy authorities is making such preparations against trouble as are possible and warranted while carefully refraining however at this stage from any steps which might result in public awareness of our concern and alarmism in American community.

Sent Nanking 189; repeated Dept 248.

CABOT

893.00/2-548 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, February 5, 1948—4 p. m.

[Received February 5—5:59 a. m.]

258. Canton UP despatch quotes General Wu Te-chen ²⁴ as confirming split in Kmt resulting from members' dissatisfaction with limited party support of official candidates who failed in election. Wu sees danger these elements may swing support from Kmt to Li Chai-sum ²⁵ and his "Liberal Kmt" headquartered in Hong Kong unless squabble settled. Wu also foresees possible postponement of National Assembly scheduled for March 29 as result.

Above report bears out other indication that elections have tended to intensify existing dissensions within Kmt ranks as well as develop new ones.

Sent 194 to Nanking, repeated as 258 to Department.

CABOT

²³ British Inspector General, Chinese Maritime Customs.

²⁴ Secretary General of the Kuomintang Central Executive Committee.

²⁵ Marshal Li Chi-shen.

S93.00/2-548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 5, 1948—8 p. m.

[Received February 6—4:50 a. m.]

232. Symptomatic, we believe, of the increasing unrest and of disillusionment with the present Chinese Government were the recent disturbances in Shanghai. More than other races, the Chinese are inclined to look for a scapegoat when things go wrong and this case we have noticed an increasing tendency to blame the Generalissimo and to seek for an alternative to his regime.

Within 5-day period, January 29 to February 2, there were three major civil disturbances in Shanghai culminating in outbreaks or mob violence with destruction to property and loss of life and injury to both police and members of the mob. The Government's explanation of these events was given in press conference of Shanghai Mayor on February 3 in which he stated that disturbances were "Communist stage-managed" and that "Shanghai is main objective of organized red mass uprising headquarters for the Yangtze valley area".

We feel that question of Communist participation in these civil disorders is in large degree academic. While Communists undoubtedly eager exploit events to own ends, these situations are intrinsically manifestations of Government's alienation of popular support through administrative ineptitude which has now progressed to a degree endangering Government's stability. In each instance of civil unrest, an organized group appeared convinced that Government had acted unreasonably and arbitrarily against group's economic or political interests. Government made no adequate arrangements for orderly settlement of points at issue, leaving group no alternatives except to abandon demands or present them through mass action. Government policing of individual situations was inept and exacerbated mass feeling to point where group became mob bent on violent retaliation for real or fancied wrongs. Police unable, or possibly unwilling, to restrain mob until after acts of violence had been committed.

These specific, local situations faithfully mirror Government's predicament on national level, which is also largely of Government's own making and for which Government's sovereign remedy has so far also been force ineptly applied. In most of China north of Yangtze, principal elements opposing Government are Communist organized. In remainder of the country still under its control, Government's futile attempts to eliminate all opposition and compel support and its failure to devise and implement adequate constructive policies for improvement in its position is rapidly bringing it to the verge of severe crisis which it can hardly hope to survive. Increased urban civil unrest on

a large scale may well be the factor precipitating crisis, which the Communists obviously are prepared to exploit.

Growing pessimism and despondency of high Chinese civil and military officials with regard to economic, political and military deterioration has long been apparent. Recently there seems to have developed a sharper awareness of the fact that the Government may soon lack the minimum of popular support necessary for its survival. This trend approaches conviction on the part of most that the Government lacks capacity to extricate itself from the plight without foreign assistance and fear on the part of many that the Government's position is hopeless even though foreign aid is forthcoming.

In this situation several types of response are taking shape. The Generalissimo and those most loyal to him favor strategy of continued resistance to the Communists and repression of other dissident or potentially dissident elements, while effecting such minimum reforms as are possible without antagonizing the most reactionary groups. This group hopes to sustain itself with whatever aid it can get, believing that in the final analysis it will be saved by a Soviet-American war.

Another indefinite grouping responds to the situation with the idea of seeking a negotiated peace with the Communists through the mediation of the Soviet Union, hoping to retain dominant influence and authority in a coalition government which would result from this mediation. Recent reports, unconfirmed but from credible sources, indicate that this group is gaining many adherents among the military and is already exploring means to contact the Soviets to negotiate mediation. While this group may not have yet achieved status of an anti-Government movement, probably because of lack of firm leadership, many factors strongly favor such development. Since the military elements in the group are preponderant, the possibility of defection among the armed forces cannot be overlooked.

The situation is very definitely one to cause pessimism. If American aid should materialize in adequate measure and palatable form, the tide may turn quickly in our favor. On the other hand, when details of American aid are announced, they will be weighed carefully by all factions and if our plans are deemed to be insufficient, or unpalatable, or unlikely to be effective, it is more than likely that disaffection of some elements now in the Government may ensue. Such disaffection may well result in the replacement of present dominant elements with the group desirous of effecting union with the Communists through the good offices of the Soviet Union. As we have previously reported, the Generalissimo is unalterably opposed to such a move and if those favoring an arrangement with the Com-

munists came into the ascendancy, his retirement from the scene would be inevitable.

STUART

893.00/2-648

Memorandum of Conversation, by the Minister-Counselor of Embassy in China (Clark) ²⁶

[NANKING.] February 5, 1948..

I called today to pay my respects to Mr. Shao Li-tsu.²⁷ After a preliminary exchange of pleasantries I remarked to Mr. Shao that when I left China ten years ago²⁸ the Northern Expedition had been completed, China was becoming unified, and progress was being made in many lines, but now that I had returned to China, I found disintegration and deterioration. In this connection I asked Mr. Shao his opinion as to whether there was anything behind the recent disturbances in Shanghai—whether there were any Communists involved. Mr. Shao replied that there were three recent incidents, one involving students, one involving dance hostesses, and the third involving workers. He said that these must be considered separately. With respect to the incident involving dance hostesses he felt that there were no Communist elements behind it. As for the students' affair he felt that while there were some Communist elements involved the majority of students who took part were not Communists. With respect to the workers' riot he believed there were a small number of Communists implicated.

I told Mr. Shao that since my return from my trip to the South I had been disturbed at hearing a number of reports that people within the Kuomintang are advocating some sort of accommodation with the Communists and asked him whether there was such a group within the Kuomintang. Mr. Shao replied that the basic problem facing China today is the Communist problem. Referring to my remark concerning the contrast between the progress being made ten years ago and the deterioration evident today Mr. Shao stated that the difference is that at that time China was unified while today it is divided, very seriously divided. He said that there is within the Kuomintang a group of persons who feel that the military effort to overcome the Communists and destroy their armed forces has failed and they are, therefore, advocating a peaceful solution. He himself felt that a peaceful solution would be desirable but does not believe that attainable at the present time because the Communists are not willing to

²⁶ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 53, February 6; received February 19.

²⁷ Chinese State Councilor. The Third Secretary of Embassy (Clough) acted as interpreter at the conversation.

²⁸ Mr. Lewis Clark was Second Secretary at Peiping until 1935.

talk peace. This is apparent from Mao Tse-tung's December speech in which he reviled all elements within the Kuomintang, not merely those advocating a military solution. Mao also reproached those within the Communist party who favored agreement with the Kmt, accusing them of being supporters of Chiang Kai-shek and opponents of the peoples' revolution.

I asked Mr. Shao what he considered were the reasons why General Marshall²⁹ and Ambassador Stuart's efforts to mediate had ended in failure. Mr. Shao replied that people held different opinions on this point. Some felt that General Marshall had not thoroughly understood the Chinese situation. However, he himself believed that the failure was due rather to mistaken estimates on the part of both the Central Government and the Communists. The Central Government had over-estimated its own military strength and had, therefore, believed that the failure of the peace talks would be of no great importance since the Communist armies could be smashed by military means. The Communists, on the other hand, under-estimated the strength of the Central Government, believing that it could be overthrown within a short time. Now both sides should re-assess their estimates. The Central Government should take a realistic view of its military strength and the Communists should realize that the Central Government is not easy to overthrow. Mr. Shao added that he had talked with Ambassador Stuart last year and also with Mr. Sprouse³⁰ when the latter was in Nanking as a member of General Wedemeyer's³¹ mission and pointed out that the matter of first importance was to strengthen the Central Government armies. Only then would it be possible to solve the Communist problem. Mr. Shao remarked that one possible alternative would be a resolution of the differences existing between the United States and the Soviet Union following which the China problem could be solved. I asked whether Mr. Shao meant that the Soviet Union would act as mediator and Mr. Shao replied that the United States and the Soviet Union could jointly assist in solving the problem.

I commented to Mr. Shao that one thing that had disturbed me with respect to the possibility of building the National Government forces up to the point where the Communists requested to negotiate was that the Communists might take advantage of this opportunity to negotiate on the one hand while at the same time strengthening their position. Mr. Shao admitted that this was a possibility and it could not definitely be said that this would not take place.

²⁹ General of the Army George C. Marshall, Special Representative of President Truman in China, December 1945-January 1947.

³⁰ Philip D. Sprouse, Assistant Chief of the Division of Chinese Affairs.

³¹ Lt. Gen. Albert C. Wedemeyer, President Truman's Personal Representative in China, July-August, 1947.

893.00/2-548

*The Consul at Canton (Burke) to the Ambassador in China (Stuart)*³²

No. 5

CANTON, February 5, 1948.

SIR: I have the honor to report that on January 31, 1948, Attaché (Research Analyst) Joseph A. Yager of this office called on Marshal Li Chi-shen and General Tsai T'ing-kai and obtained certain expressions of opinion that may be of interest to the Embassy and to the Department.

Both interviews were arranged by Mr. Sa K'ung-liao (see biographical notes³³) of the left-wing *Hua Shiang Pao*. Mr. Sa also acted as interpreter at both interviews, a possibly unfortunate circumstance in view of his rumored membership in the Chinese Communist Party. It is interesting to note that Mr. Tseng Yu-hao (see biographical notes), an anti-Communist member of the Democratic League, felt compelled to warn Mr. Yager that Mr. Sa cannot be trusted as an interpreter on matters affecting the CCP.

The call on Marshal Li was made at the Marshal's home on the Peak in Hong Kong. The Marshal and a number of his relatives occupy one of three flats in a somewhat run-down building that he reportedly owns. His own quarters are comfortably, but rather drably, furnished. The general impression obtained by a visitor is neither one of extreme poverty nor extreme affluence. The Marshal himself presented a distinctly unmilitary appearance in a Chinese robe and skullcap. His manner was quiet, and cordial, but slightly reserved. While apparently willing to discuss political problems, he weighed his answers carefully and did not volunteer information on his own plans or on his opinion of other leading Chinese personalities.

Since Mr. Yager had been introduced as an economist interested in South China, Marshal Li was first asked for his views on the economic program of Governor T. V. Soong of Kwangtung. The Marshal replied that whether or not Soong is a good man is immaterial. Since Soong operates within the context of national policies that are doomed to fail, anything projected by Soong on the provincial level is also doomed to fail.

This statement lead naturally into a discussion of the future of the present National Government of China. In the course of this discussion, Marshal Li made six major points:

1. If the National Government continues its present military and economic policies, it will be defeated.

³² Copy transmitted to the Department by the Consul without covering despatch; received June 7.

³³ Enclosures not printed.

2. Although Nanking authorities have passed up many opportunities to end the civil war, the possibility of achieving a negotiated peace still exists.

3. The end of the civil war, whether by a negotiated peace or by the defeat of the National Government, will see a coalition government over all of China. The war definitely will not end in the division of China into separate regional regimes.

4. The nature of the coalition government that will eventually control all of China depends upon the course and duration of the war. If Chiang Kai-shek fights until his forces are totally defeated, the Communists will naturally be more powerful in the coalition government than would be the case if a negotiated peace were made in the near future. But under no circumstances will the Communists be able to govern China alone.

5. Some of the military leaders of the Nationalist forces will support a negotiated peace before military collapse occurs. (By implication, therefore, the Communists need not be the dominant group in the anticipated coalition government).

6. Although he does not know the inner workings of the Chinese Communist Party, he does not believe that that party is dominated by the USSR.

As the interview was drawing to a close, Marshal Li stated that he had something further to say. In his opinion, American aid to "the reactionary Nanking regime" has been most unfortunate. Postwar events in China might have proceeded much more satisfactorily if the United States had not violated "the non-intervention agreement" concluded at Moscow in 1945 by the United States, the USSR, and the United Kingdom.³⁴ Under present world conditions, the key to a settlement in China is a general settlement between the United States and the USSR.

General Tsai occupies a house near that of Marshal Li. Tsai's house is the larger of the two, and, on the basis of its external appearance, Tsai appears to enjoy a somewhat higher standard of living than does Li. The interview with Tsai, however, was not held in his home, but in the offices of his son who is said to be in the import-export business. General Tsai was in Western-style civilian dress, but has an unmistakably military bearing. His manner during the interview was cordial, but blunt. After each [each?] statement, he adopted a stiff-backed, straight-faced position, as if to say, "I am laying it on the line. You can either take it or leave it."

In contrast with the largely passive attitude of Marshal Li, General Tsai maintained the initiative throughout the interview. Without prompting, he proceeded directly to what he conceives to be the basic

³⁴ For a report of the meeting of the Ministers for Foreign Affairs of the Soviet Union, the United States, and the United Kingdom, December 27, 1945, see *Foreign Relations*, 1945, vol. II, p. 815. For documentation on the meeting, see *ibid.*, pp. 560 ff.

defect in American policy toward China: fear of the Chinese Communist Party and lack of confidence in the strength of China's "democratic elements." This defect in American policy arises, in his opinion, from an incorrect analysis of the present situation in China. Tsai's own analysis runs as follows:

1. After the Nationalist armies are defeated in the North, Nationalist military strength will be concentrated south of the Yangtze. Nationalist military leaders who have been kept apart by the Generalissimo will then inevitably be close enough together to consult one another and to act in concert. Some of those leaders, moreover, will once more be in their home territory.

2. Once the civil war moves to South China, certain important Nationalist generals can be expected to oppose continuance of hostilities and to join with the Chinese Communist Party in the formation of a coalition government. General Tsai states that he knows these generals very well and understands their point of view. If necessary, he is prepared to go to them at the appropriate time and initiate steps to form a coalition government.

3. The coalition government to be formed at the end of the civil war will not necessarily be anti-American and will in any case be a temporary caretaker government to be followed by another government elected by the people.

4. American aid to Chiang Kai-shek is therefore ill-advised. Chiang and the CC Clique must go before a coalition government can be formed and the war ended. If the United States government understood the potential strength of the "democratic elements" in China (i. e., through the eventual defection of Nationalist military leaders), it would not support Chiang.

In subsequent conversation, General Tsai concurred in Marshal Li's judgment that the civil war will not end in the division of China into separate regional regimes. Tsai also expressed the opinion that T. V. Soong has little chance of succeeding in the pacification and development of Kwangtung. He volunteered the statement that Soong had recently come to Hong Kong and asked him to join the provincial government at Canton. Tsai claims that, although he and Soong are friends, he refused to come to Canton, unless Soong first renounced his allegiance to Nanking and the policies of Nanking. Soong said that Tsai's conditions were impossible and, according to Tsai, there the matter rests.*

As in the interview with Marshal Li, General Tsai was asked if he believed the Chinese Communist Party to be free from domination by

*Tsai's version of his relations with Soong should be compared with Soong's statement to Consul Elmer Newton of this office on October 24, 1947. At that time, Soong claimed that he could induce Tsai to come to Canton and join his government whenever he (Soong) wanted to. Soong's call on Tsai is believed to have occurred in early December, 1947. [Footnote in the original; memorandum by Consul Newton, October 31, enclosed in unnumbered despatch of November 8, 1947 from the Consul General at Canton (Boucher) to the Ambassador in China, not printed.]

the USSR and therefore qualified to enter in good faith into a Chinese coalition government. In contrast with the apparently frank reply of Marshal Li, General Tsai answered evasively and said that the possible Soviet connections of the Chinese Communist Party were irrelevant, since the Chinese people will (at some unspecified future time) be able to elect the kind of government that they want. This rather unsatisfactory reply may have reflected a lack of confidence in Mr. Sa, the interpreter. On the other hand, it is just possible that Tsai was indicating somewhat obliquely his confidence that the Communists could eventually be reduced in strength, once they had been drawn into a coalition government.

Respectfully yours,

GORDON L. BURKE

893.00/2-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 6, 1948—5 p. m.

[Received February 6—8:44 a. m.]

238. We are by no means convinced that general breakdown of law and order in Shanghai is imminent although we believe further sporadic civil disturbances probable (Shanghai's 248, February 4, 11 a. m.). There is as yet no indication that Communists are so organized as to be capable of creating and controlling state of chaos at Shanghai. As we have already reported in our 232, February 5, 8 p. m., we continue to believe that basic causes civil disturbances at Shanghai are economic rather than political and must be dealt with by economic measures in conjunction with determined police control. It seems to us that Government is well aware of need to maintain itself at all costs in the lower Yangtze valley and at this time we can see no serious threat to its position in this area. However, fact remains that Government control of Shanghai is likely to be endangered by policy of extremist elements in Government in using party secret police to suppress even legitimate dissatisfaction caused by maladministration and thus solidify discontented elements into organized opposition. In such situation advantage is thrown to Communists. Moderate elements who would prefer to deal with situation by firm but rational methods are handicapped by lack of unified administrative control. For example, Mayor of Shanghai has no authority over garrison command or over party secret police. Mayor Wu has requested such authority and we are very informally supporting his request with Generalissimo, pointing out that deterioration Shanghai situation seems to call for firm measures and centralized authority. We consider this feasible because of competence of Mayor, his loyalty to Generalissimo and high regard in which latter holds him.

In situation prevailing at Shanghai there is reason for concern but no immediate cause for alarm. In fact, manhandling of Mayor Wu and apprehension of some leaders may have sobering effect. Shanghai foreign community has long tended to panic over relatively insignificant political developments. This tendency is infectious and inevitably contributes to general unrest and feeling of insecurity.

We do not wish to minimize potentialities of situation at Shanghai but for time being we feel Chinese Government can retain control over situation. Furthermore, there are factors in situation, such as pending American aid, which will undoubtedly have substantial effect on public morale thus tending to stabilize at least temporarily.

Sent Department 238, Shanghai 109.

STUART

893.00/1-348 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, February 6, 1948—8 p. m.

201. Please submit your comments and recommendations with respect suggestions contained Peiping despatch to Emb2 January 3 that US consular officer visit Communist areas north China on intelligence mission.

MARSHALL

893.00/2-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 6, 1948—11 p. m.

[Received February 7—10:29 a. m.]

245. General Cheng Chieh-min,³⁵ who has just returned from Shanghai where he went to investigate recent disturbances, tells me that basically the troubles in Shanghai have resulted from student riots. The Tungchi University affair, he says, was started by regulations for student self-government associations issued by Ministry of Education without sufficient preparation and later altered, thus irritating student leaders.

The Minister of Education and President Ting of the University are both German educated, he said, and tend toward regimentation. The latter also shirked his duties, passing responsibility to the mayor. Leaders in the riot, though not those who manhandled mayor, were not students, but were Communist agents planted in menial jobs in University. Some have been arrested and will be tried.

³⁵ Gen. Cheng Kai-min.

General Cheng said instigation of Shanghai cabaret suppression was abhorrence of dancing by Dr. Wang Yun-wu, an independent state councilor, whose daughter's suicide was connected therewith. The board of social welfare and its local Shanghai bureau are under the control of CC clique, according to Cheng, and opposition to suppression measures arose from anti-CC clique sources.

General Cheng does not believe there will be further serious disturbances in Shanghai. He admits the Communists are active, but insists they are not highly organized, having infiltrated more into the student body especially at Chaotung University than among laboring classes. He insists that Mayor Wu and the garrison commander are working well together and that they and the chief of police are all opposed to CC clique activities. We doubt, therefore, whether Mayor Wu will be given the supreme command we would deem necessary.

Sent Department as 245, repeated Shanghai as 111.

STUART

893.00/2-748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 7, 1948—1 p. m.

[Received 3:04 p. m.]

252. At his request I visited Foreign Minister at his home last night and found him obviously worried over military situation in Manchuria. A little more than a month ago, he said, General Roschin had begun approaching Chinese officials with an offer of Russian mediation, but his offer had been firmly rejected by the Generalissimo himself. Present intensification of Communist attacks on Mukden he regards as consequence of this rejection. He fears outlook that region is extremely critical and is anxious have General Barr³⁶ fully informed as to its urgency, fearing that present training program will move too slowly to be effective.

Yesterday, he said, the Soviet Chargé, Fedorenko, had called upon him under instructions from Moscow, requesting protection for Soviet citizens in Manchuria and expressing hope that repetition of what Soviet nationals had suffered at Changchun in 1946 could be avoided. Wang had replied that they would be accorded the same treatment as nationals of other friendly powers provided Soviet Union did nothing unfriendly to China. In response to Fedorenko's remonstrations that Soviet Union had never given cause to China for misgivings, Wang had reminded him of behavior of Russian troops after entering Manchuria in August, 1945.

³⁶ Maj. Gen. David G. Barr, Chief, Army Advisory Group, China.

Wang interprets this *démarche* as evidence that Soviet Government anticipates that National troops will soon be withdrawing from Mukden. He made two requests:

1. That I confer as soon as practicable with General Barr on whole question of military advice and aid to China, with special reference to urgency of Manchuria problem; and

2. That I consider advisability of making special trip to Washington to acquaint Secretary and others with gravity of present trend and changes which have taken place since Secretary was in China or even since the two of them had talked together in America.

I replied that I was only waiting for General Barr to get through his preliminary obligations to bring some of these issues to his attention and that while ready to do anything in my power to help China in its mounting difficulties, I should expect to be summoned before taking the initiative in proposing a trip to Washington. I added my opinion that such help as I could render would be here in the foreseeable future and that I had been trying all along to keep the Secretary fully informed of developments in China and my views regarding them.

The Minister requested that I keep absolutely secret the visit to him of Fedorenko.

STUART

893.00/2-948 : Telegram

The Vice Consul at Mukden (McKelvey) to the Secretary of State

MUKDEN, February 9, 1948—3 p. m.

[Received February 9—9:05 a. m.]

71. Communists capture Liaoyang (mytel 66 to Department February 5³⁷) confirmed. Government losses inside Liaoyang not known. One Government division attempting break siege, flanked by Communists and reported two of three Government regiments lost.

Sent Embassy as 105; repeated Department as 71, Tientsin 54, Peiping 58.

McKELVEY

893.00/2-948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 9, 1948—7 p. m.

[Received February 9—9:02 a. m.]

259. Altho we are cognizant of advantages from an intelligence standpoint of having consular officer travel in Communist areas North

³⁷ Not printed.

China (reDeptel 201, February 6, 8 p. m.), we consider that such action would have adverse effect upon position Central Govt and would thus be unwise at this time. As we have reported to Dept there has recently been an increase of rumors to the effect that peace talks may be reopened between Kuomintang and Communists either directly or through Soviet mediation. In face of these widespread rumors we do not feel that any official American agent could visit Communist areas at this time without visit becoming known and immediately linked with foregoing rumors. We therefore recommend that no action be taken at this time on suggestions included in reference despatch from Peiping.

STUART

893.00/2-1148

The Ambassador in China (Stuart) to the Secretary of State

No. 68

NANKING, February 11, 1948.

[Received February 19.]

SIR: Ever since the announcement of Li Tsung-jen of his candidacy for the position of Vice-President under the new Constitution, we have been endeavoring to ascertain the motives behind this action. In our efforts we wrote to the Consul General in Peiping where Li Tsung-jen is now Director of the Generalissimo's Headquarters, and asked for his estimation of the situation. Mr. Clubb's reply of February 6, 1948, a copy of which is enclosed,³⁸ gives the most plausible and interesting explanation of this action yet to reach us, and accordingly we are passing it on to the Department as of interest.

Briefly, Mr. Clubb feels that Li Tsung-jen is among those who have become convinced of the need of some sort of accommodation with the Communists; that the Generalissimo will never agree to an accommodation with the Communists; and that, therefore, he will inevitably have to step aside, leaving the Vice-President to assume his robe.

As we have reported in our telegrams, there can be no doubt that frustration and war weariness have reached such a stage that there are many who, in innocence of the implications of their actions, actively seek some sort of accommodation with the Communists. We know that the Generalissimo is adamant against such an accommodation, but we know also that he is a practical man. There is a rising tide of resentment against the present situation in China and a demand for change. The only obvious alternative to the Kuomintang is the Communists and we do not believe the majority now wish to

³⁸ Not printed.

turn to Communism. There is also reason to believe that the Communists may wish at this time to pause for breath and consolidate their gains. The scene is, therefore, set for a temporary accommodation. Much will depend, we believe, upon the extent, the timeliness, and the character of our Aid-to-China program and the reception it receives in China. If that program gives hope to the liberals of an alternative to Communism, they will likely seize it and may be able to avoid an accommodation with the Communists and proceed under evolutionary processes to a reorganized Government evolved from the present divergent forces comprising the Kuomintang. If not, we may look to increasing pressure for accommodation with the Communists.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy

893.00/2-1148

The Consul General at Peiping (Clubb) to the Secretary of State

No. 19

PEIPING, February 11, 1948.

[Received March 2.]

SIR: I have the honor to enclose as of possible interest a copy of a memorandum of conversation of February 5, 1948,³⁹ between myself and two Soviet consular officials in respect to the general subject of events in Europe and Asia. The memorandum covers those elements of the conversation which had particular reference to American policies in respect to the two areas and other related matters of interest.

The attitude of the two consular officials, Consul General Kourdukov of Tientsin and Acting Consul General Tickvinsky of Peiping, in respect to the character of American policies in the two areas offered nothing of either novelty or special interest: they followed the established Soviet line that American policies constituted "intervention" and that those policies would be of no benefit to the areas concerned.

I invite the attention of the Department, however, to the circumstance that both of the Soviet officials purport to believe that the establishment in China of a "coalition government" would be beneficial to the country, it being their observation that the Chinese Communists would not be in a position in the foreseeable future to establish their control over the whole of the country. Reference has been made in previous communications from this office to the presumed readiness of the Chinese Communists to reach some sort of a truce agreement which

³⁹ Not printed.

would give them a breathing spell in which to consolidate their gains. Current events in Manchuria and North China, where in the first instance the Communist armies are getting ever nearer to their goal of complete conquest of Manchuria, and in the second instance there is appearing evidence of difficulties met by the Communists in respect to the matter of carrying through their land reform program, and in the third instance there are frequent reports of some important purge now in process in the Communist-controlled areas, seem to support that assumption. The attitude expressed by the above-quoted Soviet officials would appear likewise to indicate that Moscow itself believes that the Chinese Communists will require some time for consolidation of their position in Manchuria and North China before they will be able to undertake the subjugation of the rest of the country—this belief presumably being predicated upon a determination, nevertheless, to achieve military and political domination in Manchuria and North China as well before such truce would become effective.

It would appear obvious on the basis of past Soviet performance that their concept of a "coalition government" would be of a political organization in which the Communists were in a position to play first an important "legitimate" role and then in due course to take action by virtue of which they would eventually be enabled to dominate that coalition government. All reports that this office has been able to obtain locally indicate that Generalissimo Chiang Kai-shek and his immediate lieutenants are determined to suppress the Communists by force. It seems hardly open to doubt that the more substantial the form of American assistance to the National Government the more determined that government will be to carry through with that policy. This office proposes in a separate despatch soon to analyze the practicality of suppressing revolution in China by those means. It is felt pertinent to point out at this time, however, that there are elements in China itself within the non-Communist camp and even within the Kuomintang camp who are unconvinced of the feasibility of wiping out Chinese Communism by military force alone. Some of those elements are probably at this time undertaking to establish closer liaison among themselves to the end that in the event of important political collapse on the National Government side they will be able to succeed to power. It is pointed out further that the Chinese people are definitely war-weary and desirous of peace, and that this circumstance, coupled with the continuing deterioration of the Chinese economy, leading to an increase instead of a decrease of their suffering, is an added factor operating to prepare the ground for some "peace movement" favoring at least a temporary settlement. In those circumstances it is felt appropriate to make the following observations: (1) the leadership of Generalissimo Chiang Kai-shek,

who fully displayed the dogmatic and even medieval character of his mind in his book *China's Destiny*, will probably prove inadequate to lift the nation from the political and economic mire in which it finds itself, for all the belief held by some of the Generalissimo's "indispensability"; (2) the Chinese Communist Party—if Communist policies as proven time and again have any value as precedent—are assuredly bent on ultimate conquest of China as a whole; (3) both Nationalist and the Communist elements at the present time, with foreign aid tapered off and the Japanese wealth which was found in this country on V-J Day largely consumed, are cognizant of approaching exhaustion and increasing difficulties are alike desirous of at least a temporary cessation in the fighting; and (4) it would seem apparent that it is too late (if there has been a time) to save Manchuria for the Nationalists, given the existing political situation. Most of North China also is already in Communist hands, and the remaining points and lines can hardly be held for long in the event of Communist victory in Manchuria. The successful withdrawal to North China of those Nationalist forces now in Manchuria would of course contribute some military stability—valuable even if only temporary—to the former area. Present developments, where it is already so late, however, would seem to indicate that the withdrawal intact of the Nationalist Manchurian garrison over a line of retreat where the rail communications have been destroyed and where there are strong Communist forces deployed all the way from Taling River to the outskirts of Sinmin, would be an extremely difficult and hazardous undertaking.

In the existing circumstances, it would appear evident that only a fundamental reorganization of the National Government, in a manner in which power and authority would no longer be left concentrated in the hands of one man and his small supporting clique as at present but would be distributed and shared among various outstanding leaders and groups who are now potentially dissident (if still nominally in the Nationalist camp), with a concomitant major reorientation of the National Government with respect to the outstanding political and economic problems of the times, would suffice to meet the demands of the present critical situation. The present practical political task, it is submitted, is now the second-best, minimum, task: to stabilize and strengthen the political situation south of the Lunghai Railway line to such a degree that a rejuvenated National Government would be able to undertake economic and social reforms of the type long promised but to date unaccomplished, for the strengthening of the Government's popular support at the same time that economic sanity was restored and productive processes nurtured, with one projected end-result being that the non-Communist part of the country should

be brought into a position to meet the Communist challenge from Manchuria and North China. The proposition is tentatively advanced that the Presidential (and Vice-Presidential*) elections scheduled for the coming spring, offering as they do conditions favorable for the termination of the present dictatorship—projected though they may be against the reluctance of that dictatorship to relinquish its hold—will have their major importance in the power moves that will probably attend them. They should incidentally show reasonably clearly whether the Generalissimo and his political machine are working toward the establishment of constitutional government on a broad political base, or whether they constitute obstacles on the road to that democratic goal.

Respectfully yours,

O. EDMUND CLUBB

893.5045/2-1448 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, February 14, 1948—8 a. m.

[Received February 14—1:14 a. m.]

326. ReContel 189, February 4 (repeated Department as 248) and Embassy telegram 238 to Department February 6. We are endeavoring obtain information to support an estimate of capabilities of Communists and possibilities of serious trouble in Shanghai in early future. On basis of our investigations to date, factors contributing to unlikelihood of such trouble include:

1. General consensus that Communists have not yet developed their organization, armed strength and concrete plans for action, with assurance of support from other anti-Government elements, to the extent necessary for launching and sustaining overt anti-Government movement.

2. Absence of large Communist military forces in immediate vicinity of city.

3. Probability that Communists would not wish reveal extent of their strength and organization until confident of their ability take over city and to do so under circumstances which would not involve major damage of its physical assets.

4. Indications that active anti-Government student agitation as yet affects relatively small proportion of students and that authorities, through control of Govt funds for help needy students and by threatening to postpone spring reopening of schools until students accept their terms, are in a strong position.

5. Obvious necessity to Government of holding Shanghai and maintaining its industrial life at all costs.

6. Strong and intelligent leadership of Mayor Wu.

*Cf. Peiping's despatch No. 12, January 28, 1948 on the subject "Candidacy Li Tsung-jen for Vice-Presidency". [Footnote in the original. Despatch not printed.]

7. Believe vigilant (though not too well coordinated) secret police surveillance of Communist activities in labor groups and other local organizations.

8. Presently favorable factors in economic situation including: Apparently successful weathering of critical New Year period thanks to satisfaction of labor demands for seasonal bonuses and to temporary measures providing loans to industries; relatively prosperous condition of labor so long as employers continue to be able to pay wages approximating cost of living index; momentarily adequate supply of rice and other essential consumer goods; fairly encouraging initial progress toward implementation of new rationing measures; and reasonably successful efforts of economic policy in at least temporarily restraining inflationary trend.

9. Stimulating psychological and material effect of promised American aid.

On opposite side of picture can be listed:

1. Discouraging war news from Manchuria and other areas (including reports of small Communist regular forces operating along Nanking-Shanghai section of Yangtze) with its depressive effect on public morale and confidence in Government.

2. Increasing unpopularity of Government and unquestioned readiness of segment of population to support any anti-Government movement which could demonstrate its capacity to achieve success.

3. Growing spirit of lawlessness and recent precedents likely to encourage further mob action.

4. Steady influx of war displaced refugees increasing unemployment, discontent and Communist infiltration.

5. Military conscription augmenting movement of peasants to city (where conscription demands and methods are less severe than in countryside) and aggravating shortage of farm hands.

6. Evidence of weakening of unified Government control over labor unions. Former strong-handed CC control of unions is evidently breaking down and, while it is not clear to what extent opposition groups are anti-Government or only anti-CC, resultant disorganization in any case favors Communists, who have advantage of cohesive solidarity.

7. Strong consensus of testimony from various sources indicating that Communists are steadily increasing strength and organized activities in labor, schools, et cetera, with considerable strength already achieved in department stores, utilities, and textile and tobacco industries. According to estimate of one believed good source, with which Acting Labor Attaché is inclined agree, 30 percent of Shanghai labor is either actually dominated by Communists or sufficiently anti-Kmt to be highly susceptible to Communist influence.

8. Indications of friction and lack teamwork among law enforcement agencies and Kmt factions (intensified by recent elections).

9. Possibility that Tu Yueh-sheng and his underground army might turn against Government in a crisis, which would materially reinforce anti-Government elements. (See ConGen's airgram to Nanking February 7⁴⁰).

⁴⁰ Not printed.

10. Indications that certain well-to-do Chinese highly sensitive to trend lack faith in Government to maintain order to extent that they are arranging residences away from China mainland to which they can flee if outlook becomes more ominous.

11. Growing disruption of trade communications with hinterland with increasingly serious effect on required supplies from interior.

12. Increased import quotas and delaying implementation of approved quotas for raw materials and mechanical parts needed for replacements to keep factories operating.

13. Actual and anticipated shortages resulting from two last mentioned factors which are threatening cause curtailment factory operations and laying off of labor unless shortages can be offset by prompt aid from United States.

14. Belief of informed circles that current policing methods will not be able to withstand inflationary pressures for long. Not unreasonable to expect another break as fundamental causes of inflation continue unsolved.

15. Doubted capacity of police and garrison to cope effectively with situation in case Communists staged several large strikes simultaneously.

16. Believed intention of Communists to stage demonstrations of sufficient frequency and proportions to keep authorities off balance and possibly to deny to Government effective use of this vital city.

17. Nervousness of authorities and their apparent determination to meet further mob demonstrations with "shoot to kill" tactics which might precipitate major mob action and prematurely force the hand of Communist strategists.

Fact that city has gotten through Chinese New Year period without further trouble is generally considered important as a favorable omen for the immediate future. Nevertheless situation must remain inherently unstable so long as Government continues to suffer military and economic reverses and confidence in Government among its leaders and public is thereby undermined. While on the surface situation looks a bit more tranquil, we still feel that it might change with dramatic suddenness depending on any of several unpredictable factors.

Sent Nanking as 239, repeated to Department as 326.

CABOT

893.00/2-1448 : Telegram

The Vice Consul at Mukden (McKelvey) to the Secretary of State

MUKDEN, February 14, 1948—6 p. m.

[Received 6:13 p. m.]

78. Wei ⁴¹ gives early promise being type person needed lead Government Northeast. Has arrived very difficult time and with many

⁴¹ Gen. Wei Li-huang on February 12 was appointed Acting Director of the President's Headquarters in the Northeast, in addition to his duties as Commander in Chief of Northeast Bandit Suppression Forces.

factors operating against him. Reports emanating directly from Wei to Asst. Military Attaché, indicate Wei recognizes fact American friendship and is willing provide accurate information concerning strength and potentialities. Information so obtained reveals disintegration Government forces and supply system climaxed by Chen's complete inability cope with it.

Wei facing it realistically. Realizes difficulties but taking immediate steps cope. Has shifted one best staff men to supply where greatest problem exists. Bulk time since arrival devoted reorganization and finding out actual strength his forces which apparently Chen did not know.

Generalissimo seemingly realizing seriousness of situation has given Wei complete control Northeast. Wei now neither has to coordinate nor compromise with any person Northeast.

Wei military ability revealed recent Communist attack Suchiatun south Mukden. For first time since beginning concurrent offensives May 1947, superior tactics and complete advantage Government fire power employed against Communists. Upon Wei orders Communist allowed penetrate Government lines Suchiatun and when in position Government coordinated air bombing and strafing with 155 mm. howitzer fire inflicted heavy but not crippling casualties Communist Seventh Column.

Immediate threat Mukden diminished result this engagement. Communists now moving forces towards Penshihu and Fushun. Wei has shifted one Government division north Tiehling use shock troops against these Communist thrusts Fushun-Mukden areas. Quick shifting these troops may indicate Government intelligence process revitalization because Wei only commander who seemed have prior information future intent Communists and thus able move own troops sufficient time make Communists meet numerical equal and superior armed Government forces. If Wei can continue may force change entire Communist tactics which have always been and which Mao Tze-tung has openly stated are to maneuver until Communists overwhelmingly superior immediate Government force opposing.

Has been tendency many circles both Chinese and foreign consider present military situation NE hopeless. Believed this not true unless higher headquarters so considers and abandons Wei. Wei himself admits situation serious but not hopeless. His requests assistance have been logical, conservative and seemingly capable being complied with and well worth while when results which might be obtained so vital future country considered. Civilians naturally nervous and tense but no indication discipline reaching breaking point. Advantage seen southern soldiers and officers fighting northern area.

Much less temptation lay down arms and surrender Communists. Must realize only hope returning southern families with Government rather than Communists. Believe there will have to be complete collapse National Government before these troops will desert or rebel such extent affect military situation.

Sent Embassy. Repeated Department as 78.

McKELVEY

893.00 Manchuria/2-1648: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, February 16, 1948—3 p. m.
[Received February 20—11:53 a. m.]

84. From Siebens. Various reports obtained by Changchun Consulate during 2 days previous to closing⁴² concerning developments North Manchuria follow. All reports received from intelligence sources and/or Jap and Chinese sources with connections North Manchuria.

1. Harbin press gave feature publicity to news of closing American Consulate Changchun and also played up British Consulate that point. News of closing printed in Harbin 2 days after intent to close made known to me. to top officials at Changchun. Reports from various sources at Changchun generally indicate current propaganda line Harbin is that activities Nationalists assuming international character and that Nationalists are going to threaten Soviet Union. Closing Changchun Consulate interpreted at Harbin as indication US expecting unusual military developments Manchuria and preparing for them. Foregoing information in main from 2 apparently unrelated sources, usually reliable.

2. Since January 15 Soviets have re-armed 1100 odd Russian railway guards on Sino-Soviet railway North Manchuria and about 3000 men left behind in civilian clothes by Soviet Army during Soviet post-VJ Day retirement from Manchuria (that approximately this number men left at Harbin by Soviets has been reported to Changchun office on several occasions during past 18 months). Little attempt being made conceal this re-arming, for reason which given as threatening nature military situation and "international situation". This report from 2 apparently unrelated sources, previously reliable. Report from another source places number Russians under arms at Harbin 7000 who train Itaoli and Nankan areas of Harbin.

3. On January 28 approximately 3000 members Soviet Army reputedly arrived at Penian [*sic*] and Nancheng from Blagoveschensk.

⁴² On February 3; for correspondence regarding this subject, see pp. 629 ff.

This group alleged to have tanks and field guns and scheduled to train Communist troops. This report from one source, previously reliable.

4. Chinese male recently arrived from Tsitsihar with Jap wife reported to consular employee that large number Soviet troops to be seen Tsitsihar area and approximately 500 Jap troops in Tsitsihar engaged tank and [garble] repair work for Communists. Unable interview this traveller personally due closing of post. Believe this report possibly exaggerated but indicative unusual activity Tsitsihar.

5. Chinese Communists held full dress political meeting at Chiamussu on about February 21. This information obtained by Jap consular employee who obtained from compatriot key to breaking Communist code in which substantial amount Communist activity reported. Due necessity closing post I was unable monitor results this meeting which were scheduled to be radioed from Chiamussu to other points at midnight February 3.

6. Communist air force base at Chiamussu recently "borrowed" 6 fighter type aircraft and 7 Russian flight instructors from Soviets in order step up training Communist air force. This information from one source, previously unknown to Changchun office.

7. 160 drums gasoline arrived at Chiamussu from Soviet Union January 17 and stored that point. This report from one source previously reliable.

8. (Remytel February 12, 9 a. m. [6 p. m.] from Peiping⁴³). These reports and other more nebulous rumors regarding developments North Manchuria even if true only in part would indicate major political developments in Manchuria may be in offing. Reputed propaganda line Harbin that military situation assuming international significance apparently already may have been used as excuse for the re-arming of certain numbers Soviets North Manchuria and would represent standard tactics Soviet and pro-Soviet Chinese elements to create situation in which rather bold political steps may be taken if and when time considered ripe for such undertaking. As indicative of one possibility, note statement made to me about one month ago by seemingly experienced Manchurian politician regarding effect certain factions Chinese Communists were seriously considering possibility establishing independent Manchurian republic similar to that Outer Mongolia. Such step at this time probably would be dangerous one to overall purpose Chinese Communists to control large areas China proper but possibility it may be undertaken of course must be considered.

Department please repeat to Nanking no. 138. [Siebens.]

CLUBB

⁴³ No. 75, not printed.

893.796/1-1448 : Telegram

The Secretary of State to the Consul at Shanghai (Pilcher)

WASHINGTON, February 16, 1948—6 p. m.

288. In absence oath allegiance Chi Govt (Shanghai's 82 Jan 13 and 93 Jan 14) citizenship American pilots copilots not affected by participation flights for that Govt by non-militarized planes civil airlines. It is not Dept's intention you inform US nationals they should not engage such flights when directed do so by their employers. However Dept concerned over possibility recurrence incidents similar that involving Harley Moore⁴⁴ and requests you informally apprise US flight personnel (Sent Shanghai as 288 rptd Nanking as 255) of that concern and of fact that US Govt cannot afford protection American personnel while engaged operations in support Chi military.

MARSHALL

893.796/2-1848 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, February 18, 1948—11 a. m.

[Received February 17—11:41 p. m.]

367. Since publicity might have unfortunate repercussions, Consulate General will be discreet in disseminating information contained in last sentence Deptel 288, February 16, unless further instructed by Department or Embassy.

Sent Department.

CABOT

893.00/2-1948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, February 19, 1948—6 p. m.

[Received February 20—2:10 p. m.]

88. Military and political summary Northeast February 19:

1. General:

Informed foreign and Chinese observers believe fate Northeast may be determined within coming 3 months. Pessimists believe determination will come within 1 month whereas others believe final decision will be postponed 2 additional months. Outcome itself depends now entirely upon whether National Government actually determined hold Northeast and willing and prepared pay necessary price hold it. Communists enjoy definite advantage in position, supplies

⁴⁴ See footnote 69, p. 37.

and manpower and only strenuous effort and immediate action by Government can overcome this advantage. Unless Government sends minimum 3 strong armies immediately to Northeast, Communist victory and domination entire Northeast within maximum 3-month period highly probable. There is every indication Communists will dominate entire Northeast 1 month hence with exception areas immediately surrounding Fushun, Mukden and Chinchow and possibly [Changchun-Kirin?] which areas will be under close Communist siege. Most observers do not believe Mukden will fall Communists through military action but rather that should Government reinforcements fail to arrive, Communists will be in position starve Government defenders into surrender by May 15. If such event occurs, Communists will fall heir approximately 100,000 well armed troops, motor vehicles, artillery, and all other modern equipment which Government now has Mukden area. Believed if Government fails supply reinforcements, morale troops this area will be so low little effective effort will be made destroy this equipment. If Government seriously intends save Northeast its troops driving northwards from Yingkou and Hulutao must reach Mukden before May 15.

2. Morale and Government potentialities:

Wei Li-huang believed [to] have potential strength hold Mukden-Fushun area if assistance forthcoming immediately. He has strong fighting force this area. Wei liked and respected by subordinate commanders and troops and is succeeding where Hsiung,⁴⁵ Tu,⁴⁶ and Chen⁴⁷ failed in integrating his command into efficient military machine. Wei has fallen heir to results of errors and disabilities of Hsiung, Tu and Chen and can do nothing for the moment except concentrate on holding Mukden-Fushun area and hope Government will provide means for opening supply route to Mukden. If unable open this route within 3 months Wei in all likelihood will be faced with surrender or fighting his way to coast with remaining troops. All observers believe Government army morale majority units higher now than for some time past. While civil officials conscious situation and all have eye on door of escape morale too seems high and all appear preparing themselves one last struggle, outcome of which they appear believe will be entirely dependent upon decision Government will make towards reopening the supply lines. Civil officials feel Wei capable holding Mukden another 90 days. With exit many important southern officials against whom northeasterners' major complaints

⁴⁵ Hsiung Shih-hui, former Director of Generalissimo Chiang Kai-shek's Northeast Headquarters.

⁴⁶ Tu Yu-ming, former Commander of Northeast China Command.

⁴⁷ Chen Cheng, Director of the Generalissimo's Northeast Headquarters and Chief of the General Staff.

leveled, northeasterners for first time united in common cause with military and appears Government can depend upon their complete cooperation this next short period. With Wei appointment as acting director PNEH⁴⁸ and director NEBSH,⁴⁹ southern military now absolute dictatorial position. There is definite tendency military swing to northeasterners for guidance and help. Northeastern leaders including Ma Chan-shan and Chang Tso-hsiang⁵⁰ are willing co-operate but state unless 3 armies sent Northeast immediately entire area will be lost to Communists. Wang Hua-yi proceeding Nanking next week in effort persuade Generalissimo send 3 armies.

Group northeasterners led by Wang Hua-yi making arrangements secure 1,200,000 railway cross ties from South Korea in exchange for salt and soy beans now in Chinchow. This action entirely independent of Government. Rail officials have informed Wang this number ties sufficient restore rail communications Mukden-Hulutao and Mukden-Yingkou. Wang will tell Gimo northeasterners will furnish materials restore rail communication if Government will furnish troops open rail lines. If affirmative action taken by Gimo, Wang will return Northeast continue activities but if Gimo takes no action Wang considers Northeast lost and will not return.

Weather operating Government advantage. Early thaws Liao River creating natural defense line north Mukden and Hun River constitutes excellent defense line south Mukden where military defenses weakest. In addition if Government forces start moving northwards from Yingkou Wei can chance throwing own forces against Communists south Mukden in hope trapping them between Hun and Taitzu rivers. Chinese military observers believe Communists will have break major military effort against Mukden this month or withdraw from immediate Mukden area to south because danger being trapped by flood or becoming immobilized by mud. These main factors in causing Chinese believe Mukden area safe for another 3 months.

3. Immediate Government needs: Wang Hua-yi lists the Government needs as follows in order of importance:

1. Troops and reopening rail communications.
2. Food both civilian and military.
3. Currency reform permitting northeastern currency to be freely exchanged with intramural China currency.

The first two of these must be provided within maximum period 3 months. Two hundred thousand tons foodstuffs stored Hulutao

⁴⁸ President (Chiang Kai-shek's) Northeast Headquarters.

⁴⁹ Northeast Bandit Suppression Headquarters.

⁵⁰ Brother of the late Marshal Chang Tso-lin of Manchuria.

awaiting shipment Northeast. Government can no longer plan on organizing and equipping northeasterners for defense Mukden. Wang believes only 20,000 men available Chinchow, Mukden and Fushun for immediate military service and therefore all military reinforcements must come from intramural China.⁵¹

Sent Embassy, repeated Department as 88.

WARD

893.00/2-1948

The Consul General at Peiping (Clubb) to the Secretary of State

No. 24

PEIPING, February 19, 1948.

[Received March 2.]

SIR: I have the honor to refer to this Consulate General's despatch no. 19 of February 11, 1948, setting forth certain Soviet reactions to American policies in Europe and Asia, and to enclose as of possible interest in this general connection (having particular reference to the relationship of the Soviet Union to events in China) a copy of a memorandum of conversation of February 14, 1948,⁵² between Dr. Philip Fugh (secretary to Ambassador J. Leighton Stuart) and myself in regard to Chinese politics. The two points of importance covered in the conversation were (1) the existing military situation in Manchuria, and (2) the attitude of the Soviet Union with reference to the Chinese civil war.

Dr. Fugh, who undoubtedly had had various conversations regarding the military situation in Manchuria with leading local Chinese military men during the course of his stay in Peiping, described the situation in that area as being difficult and said that it was feared that the Nationalists would eventually have to withdraw. It was Dr. Fugh's observation that the Communists were continuing to strengthen their forces in Manchuria. This is at a time when the Nationalists are facing serious difficulties in respect to the maintenance of the service of supply for their own troops in that area. It is of interest to note in this general connection that Dr. Fugh said further, with respect to current reports that the Communists were prepared under certain conditions to negotiate for peace, that there were about 200 Kuomintang officials whom the Communists had listed as unacceptable to them in a reorganized government. In as much as those 200 Kuomintang officials undoubtedly include most of the more powerful personalities in the present National Government, it can readily be seen from where is derived much of the reluctance of

⁵¹ See vol. VIII, "U.S. Military Assistance to China" (Ch. I), telegram No. 346, February 24, 8 p. m., from the Ambassador in China.

⁵² Not printed.

Nanking authorities to admit the feasibility of effecting a settlement by renewed discussions with the revolutionaries.

It is of more than usual interest to note against that particular background that, according to Dr. Fugh, the departing Soviet Military Attaché, Colonel Roschin, had requested General Chang Chih-chung to inform Sun Fo,⁵³ Shao Li-tsu, and Wn T'ieh-ch'eng that if the Nationalists would call a halt to the civil war the Soviet Union would render assistance in that connection and that he could vouch that the Chinese Communists would also cease fighting; and that General Chang, instead of going to the three indicated officials, conveyed that information to the Generalissimo, who turned the proposition down as being "a device to drive a wedge between the United States and China".

The motives and *bona fides* of Colonel Roschin would of course be open to some question, it appearing clear on the basis of the Chinese Communist propaganda particularly, as well as in view of the evidence offered by their actions, that they are determined to carry the revolution forward to its logical conclusion. The ultimate conclusion, in their minds, would undoubtedly be a "communized" Chinese state. That such an ultimate hypothetical communized China would be a polity different from either democratic states or the Soviet Union is hardly open to doubt in view of existing current conditions, but that the radical tendencies would be roughly parallel to those in the Soviet Union seems likewise nearly certain. It is, however, unnecessary to consider at this point the practical form that theoretical political organization might take if the Chinese Communists had their way. It is apparent likewise from their propaganda, as pointed out in this Consulate General's reference despatch of February 11, that their immediate aims are much more limited, those limitations being imposed upon them by the existing economic and political factors operative in the Chinese scene. Their aim truly seems to be at this time to effect an interim "coalition government" from which the leading Kuomintang figures of the present day shall have been eliminated and in which they, the Communists, will play an important role. I venture to reiterate that it is logically to be presumed that this political attitude may reflect current thinking in Moscow.

In the present circumstances, if this analysis be accepted as correct, the United States Government would seem logically to be confronted with three alternative lines of action: (1) support of the Nationalist Government as it is at present constituted; (2) the sympathetic support of movements envisaging the fundamental reorganization of the National Government with the inclusion of important non-Kuomintang

⁵³ President of the Chinese Legislative Yuan.

tang democratic elements, with a political and economic reorientation which would make that government strong enough and popular enough either to meet the threat of Communism by use of both political and military force or to deal with it on a level of at least temporary equality; and (3) perhaps as a move undertaken parallel to the implementation of either of the two above-mentioned policies, a discussion with the Soviet Government regarding the situation in China, with a view to ascertaining in more detail its present attitude in respect to the course of events in China and in Asia generally.

The announced policy of the National Government is to carry the civil war to its ultimate military conclusion. The character and capacities for performance of that Government stand clear by the record of its 20 years of rule. The evidence indicates that support of its political and economic programs in the form it is willing to implement them would mean in essence the abandonment of hopes for reorganization of the Chinese governmental structure on a broader basis leading to political and economic rehabilitation. With reference to the second alternative, it is to be noted that there are many non-Communist elements in China which, antipathetic though they may be to Communism, can find no room for honest and effective action in the tight Kuomintang combine. The elections as thus far carried out have given non-Kuomintang groups no fair chance of self-expression, and the completion of the elections will in all probability still see the Kuomintang machine in control. It seems hardly likely that relatively liberal elements inside and outside the Kuomintang (but omitting from consideration the Communists) would be able to come into power unless and until Generalissimo Chiang Kai-shek and his immediate lieutenants were forced from power, for it appears to be an ingrained trait of the present Chinese ruling group to give too little and too late. Granted that a succession group in power in Nanking would face tremendous difficulties in respect to economic and political rehabilitation, it seems nevertheless at least possible that various dissident but non-Communist elements in China would be able to combine their strength and, with a reorientation of social policies and perhaps aided by some help from abroad, in due course be able to offer some opposition to the extension of Communism—although they would have to meet the challenge of the Communist economic program. Such a “coalition government” for only a part of China, and not that envisaged by the Communists for the whole of the country, would appear to offer a chance of introducing some stability into the situation.

In respect to the third (or subsidiary) alternative, it would appear as suggested by Vice Consul Allen C. Siebens* and as would appear

*Peiping's telegram no. 75, February 12, 1948. [Footnote in the original; telegram not printed.]

indicated by the information given in Peiping's despatch of February 11 and in the enclosed memorandum, that the Soviet authorities may feel that the revolution in China is reaching a critical stage which calls for some reorientation in either a more or a less radical direction, depending upon the course of events. Reference to events in Korea would seem to indicate that possibly the Soviet political leaders are prepared to embark upon a more radical line of action in respect to China in the event that a compromise settlement in China, giving substantial authority to the Chinese Communists within clearly established limits, proves infeasible. It is respectfully submitted that in those circumstances a confidential discussion of the China situation with Soviet authorities on a high level could hardly be otherwise than profitable in view of the probability that the Department would thus obtain valuable information in regard to current Soviet attitudes with respect to the matter in point.⁵⁴ Granted that very possibly the Soviets would continue along a line of policy already determined, the suggested *démarche* would seem to offer possibilities of ascertaining the line of that Soviet policy and could possibly also thus contribute to determination of the form of any moves by the American Government as might seem requisite either within the United Nations Organization or in independent action, to meet anticipated Soviet actions.

Respectfully yours,

O. EDMUND CLUBB

893.00/2-2048 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, February 20, 1948—2 p. m.

[Received February 22—2:56 a. m.]

89. Following given in strictest confidence by Wei Li-huang. Disclosure will prove very embarrassing. Wei states situation critical although not hopeless but must have outside assistance or NE will be lost within 2 to 3 months. Two phases possible capitulation NE. One is complete domination all areas excluding cities by Communists and second capitulation Mukden which is citadel NE. Without immediate assistance, Wei feels Communists can accomplish first phase within 1 month's time and second phase can probably be accomplished within 2 months and in maximum 3. When first phase accomplished [he does?] not believe military force will be required accomplish second phase. Wei states both Hsiung and Chen assured Generalissimo they had sufficient power already in NE-held area. Wei states this incorrect and perhaps Generalissimo fails realize seriousness situation.

⁵⁴ See airgram No. A-604, June 22, from the Ambassador in the Soviet Union, p. 315.

No time for indecision or inactivity. If Government expects hold NE, must start reinforcements moving now.

Wei confident that if three strong Government armies sent will be able not only maintain present Government position but can retake major portion Communist-held south Manchuria and Jehol. Wei states has numerical strength hold Mukden and Fushun several months but does not have strength hold these cities in addition waging counteroffensive southwards open communication lines to sea. Failing receive these armies, he will have to remain Mukden-Fushun area conserving his troops and scanty ammunition and food supplies for retreat to coast when situation no longer tenable. Wei's ammunition for American weapons in critical short supply and is in immediate need following: 30 caliber rifle 10,000,000 rounds, 30 caliber heavy machine gun 2,300,000 rounds, 303 light machine gun 6,725,000 rounds, 7.92 light machine gun 4,625,000 rounds, 60 MM mortar 155,000 shells.

This ammunition must be brought into Mukden by plane. His acute ammunition shortage is guarded as secret by Wei to extent even majority staff officers do not realize acuteness shortage. Shortage precluding Wei waging any type counteroffensive or even relieving besieged garrisons such as that presently engaged defense Anshan. Successful defense Mukden dependent receipt this ammunition. Wei primarily basing estimate time he can hold Mukden on assumption Communists not aware his ammunition shortage and they will consequently refrain from making any large-scale offensive against Mukden at present because high cost to them. Wei states has approximately one week's supply American ammunition available Mukden under siege conditions.

Wei states unless assistance in form 3 strong Government armies fully equipped, supplied and composed of 40,000 men each, are sent to NE immediately to open supply routes from Yingkou to Mukden and Hulutao to Mukden Government will be forced abandon NE within 3 months.

Wei further states if these 3 armies are sent (he suggests 2 arrive in Hulutao and 1 in Yingkou) and he knows they are to south protecting his rear, he in turn will be able wage counteroffensive northwards from Mukden and is confident that such counteroffensive properly planned and directed would succeed in reopening major portions of south Manchuria to Government.

For purposes planning in event he is able wage counteroffensive Wei has divided Manchuria into 3 zones. The north zone includes Changchun and Kirin, south zone includes Mukden, Fushun, Anshan and Yingkou and southwest zone includes Chinchow, Peiping, Hulutao and Fuhsin.

Wei states south and southwest zones are most important for Government purposes and situation in these zones must be completely sta-

bilized before any effort made stabilize or restore overland communications with northern zone. Government desires hold Changchun and Kirin but no supplies or troops needed south and southwest zones will be diverted north zone in attempt hold latter. Wei has received no instructions from Generalissimo whether Hsienfengman hydroelectric station near Kirin is to be destroyed should its capture by Communists become imminent.

Wei plans use locally recruited Northeastern troops assist him in his counteroffensive north Mukden should Government send 3 armies to Yingkou and Hulutao to open incoming supply lines. He is confident he will have backing Northeastern leaders in this attempt and will rely primarily on such leaders as Ma Chan-shan to organize these units. He believes 20 divisions Northeasterners can be organized and trained within 2 months provided necessary equipment furnished. To equip these units he must have minimum of: 50,000 M-1 rifles 1918-19; 5,000 each carbines and light machine guns; 1,000 each heavy machine guns and 60 MM mortars; plus ammunition therefor. He requests USA furnish these weapons and ammunition. Wei states weapons and ammunition must be moved to Mukden by air immediately if his training program to be successful. Past attempts create such organization have failed because absence effective plans and equipment and consequently little enthusiasm heretofore shown. Wei states does not believe Chinese presently have sufficient cargo planes airlift this quantity supplies but adds that if US places 200 transport planes at his disposal Chinese could accomplish such airlift from China coast or Taiwan or other equidistant points.

Wei does not give impression being pessimist or of seeking a way save face should Communists occupy entire NE. He frankly, and I feel honestly, states he has come NE too late to hold it with present troops and equipment. He states his position made more difficult by mismanagement and poor leadership Chen during whose regime inadequate stockpile supplies, ammunition or foodstuffs secured and whose poor military management resulted lossage 12 Government divisions to Communists during past several months and has now given Communists superiority 2 to 1 in fighting manpower.

He urgently appeals for aid and is under impression needed equipment come from American sources only. He solicits Embassy assistance making clear to Nanking need for reinforcements. Discussed situation without reserve and solicits American advice all problems whether pertaining to civil or military matters. I have tendered no advice.

Contact with Wei and informed civil sources leaves little doubt that if Wei not supplied with requested aid it is not improbable 3 months hence will bring about completely Communist dominated NE.

Inasmuch non-Communist Manchuria means much to US trade and our position in Pacific, I sincerely hope will prove practicable make available above listed needed ordnance ammunition and planes without delay.⁵⁵

Sent Embassy; repeated Department as 89.

WARD

893.00/2-2048 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, February 20, 1948—5 p. m.
[Received February 22—3:14 a. m.]

88. It is to be noted that 4 Manchurian leaders, Ma Chan-shan, Wan Fu-lin, Chang Tso-hsiang and Tsou Tso-hua, were evidently all invited proceed Nanking instead of proposing to do so on their own initiative (reContels 83, 19th and 86, 20th⁵⁶). It is therefore to be presumed project of greater importance would be that of National Government, not any formulated by those leaders jointly or severally.

Ma Chan-shan in conversations today did not disclose any concrete proposition that he might have evolved for presentation Nanking. Dwelling still on necessity of arming native Manchurians instead of relying upon armies brought in from distant provinces, and admitting gravity of present situation in Manchuria, he held that it was still not too late if National Government would take decisive action (including dispatch reinforcements) to hold base for operations but emphasized that people could not carry out self-defense measures with bare hands. His position appeared to be that initiative toward more effective action must come from National Government.

Ma stated that Tson Tso-hua departed for Nanking today to take up post as Councilor of Ministry National Defense. Three others to proceed on 22d.

Informed Chinese source gave opinion that Government had initiated present move in order meet popular demand (as from Mo Teh-hui⁵⁷) for more effective action, it being felt necessary by all means to mollify and soothe all potentially clamorous sources influential political opinion at this particular juncture prior to elections March 28.

This source observed that all three first named generals were of old time warlord type, and that although warlords were all right for fighting warlords they were useless for combating Communists. He believed that in particular there was nothing those three persons

⁵⁵ For comments by the Ambassador in China, see vol. VIII, "U.S. Economic Aid to China" (Ch. I), telegram No. 346, February 24, 8 p. m.

⁵⁶ Neither printed.

⁵⁷ State Councilor.

could do by joint or individual action to bring about amelioration situation Manchuria, and sole purpose Government this regard was political as stated.

Superficial appearances might indicate Government faced with collapse Manchuria front, might (1) endeavor make quick shift of at least partial responsibility to native leaders, or (2) offer them "opportunity" organize Manchurian people who are now and might be later in Communist areas into "Nationalist resistance groups". Since (1) leaders in question are too cagey to take charge of hopeless situation, and (2) Ma Chan-shan's strategy of creating armed underground in Communist areas was discarded as impractical last year when situation was much more favorable with Nationalists in much better position to lend support neither alternative would seem framed to win acceptance.

Sent Department as 86 [88]; repeated Nanking as 141, and Tientsin.

CLUBB

761.9311/2-2148: Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, February 21, 1948.

[Received February 21—12:31 p. m.]

353. Tass communiqué appearing Soviet press today announces extension nonaggression pact USSR and China,⁵⁸ points out treaty has been renewed three times since 1937 and that in accordance its provisions treaty will automatically be renewed for additional 2-year period if neither party gives notice of denunciation within 6 months.

Dept. pass Nanking as 7.

SMITH

CHAPTER II: FEBRUARY 21-MARCH 28, 1948

Ambassador Stuart's statement of February 21; Communist victories in Manchuria and deterioration of Government position; preparations for National Assembly meeting

893.00/2-2348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 23, 1948.

[Received February 23—2:31 a. m.]

337. Following is text of United Press Nanking, February 21 story as published in papers in China and presumably US as well:

⁵⁸ Signed at Nanking, August 21, 1937, League of Nations Treaty Series, vol. CLXXXI, p. 101.

Ambassador J. Leighton Stuart said today that he believed "the best possible" solution of the China problem was resumption of negotiations between the Nationalists and Communists.

Stuart emphasized that this was his personal point of view and was not necessarily the official State Department attitude.

The Ambassador made the statement during an exclusive interview with the United Press in which he explained the motives behind the issuance of his "message to the Chinese people" 2 days ago.⁵⁹

Stuart said his hope that negotiations between the Communists and Nationalists might be resumed was one of the motives behind his decision to issue the message, but added this was "not the primary motive".

In explanation of his "primary motive" Dr. Stuart declared "The message grew out of my conviction that the only hope for democracy in China or any other country is to have a citizenry that realizes its rights and responsibilities. There are many public-spirited people in China who could help the Government to render its best service to the nation if they were able to organize effectively and make articulate the will of the people".

The Ambassador said the statement was "made on my own initiative but with full approval of the Department".⁶⁰

Conceding that it was somewhat unusual for the Ambassador of a foreign nation to appeal directly to the people of a country in which he is stationed, Stuart commented, "In view of the seriousness of the situation in China I have ventured to presume upon the friendly relations I have always had with the Chinese people to point toward what seems to me a thoroughly hopeful solution if the Government and all factions in the country, especially politically conscious non-partisans, organize themselves to find a settlement other than continued military strife".

Asked whether "all factions" included the Communists, Stuart replied, "it has always seemed to me that certainly the best possible solution would be resumption of negotiations between the Government and Communists looking to a peaceful settlement".

Queried as to whether his "message to the Chinese people" should be interpreted as an attack on the present Chinese Government, Stuart stated that "it would seem to me wholly unnecessary to state that this is in no sense against the Government but rather to help them accomplish objectives which I have always been fully confident its leaders themselves have been seeking".

STUART

⁵⁹ See Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 985.

⁶⁰ See vol. VIII, "U.S. Economic Aid to China" (Ch. I), Department's telegram No. 207, February 9, 1 p. m.

893.00/2-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 23, 1948—noon.

[Received February 23—1:57 a. m.]

338. ReEmbtel 337 of February 23, UP⁶¹ correspondent Robert Clurman has correctly quoted me in the interview which I gave him, since he read back the quotes to me and I approved them. I did not however fully realize the interpretation thereon which would be given in certain newspaper headlines. It was certainly not my intention to propose a resumption of Government-Communist negotiations or to suggest that I have any real hope or expectation, despite certain underground maneuvers which are presently taking place in China, that such negotiations could be expected in near future or that they could have any possibility of success. It was merely my intention to express what I believe to be a basic hope of the American people that in some fashion peace can be restored to this unhappy country and that the fundamental social revolution now taking place might somehow be solved by democratic and peaceful means.

Subsequent to publication of my interview with UP it seemed desirable to elaborate my statements to all American correspondents in Nanking and I did so in the hope of correcting the erroneous impression I had given. I deeply regret the misinterpretation and trust that it will not prove an embarrassment to the Department in its current discussions with Congress on an American aid program for China.⁶²

STUART

893.00/2-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 23, 1948.

[Received February 23—3:16 a. m.]

339. Following is text of official Central News story which appeared in vernacular press, February 23:

Dr. J. Leighton Stuart, American Ambassador to China, in an exclusive interview with Central News this evening, denied that he had told the UP that "the best possible solution of the China problem was a resumption of negotiations between the Nationalists and the Communists".

⁶¹ United Press.⁶² For correspondence, see vol. VIII, "U.S. Economic Aid to China".

Dr. Stuart summarized what he told the UP representative during the interview, in reply to UP questions, as follows:

"What I said to him (the United Press representative) was the same idea as given in my earlier statement. I said in so serious a situation facing the country at present, there seems to be a great opportunity and responsibility for all who love their country, especially the patriotic educated people, to organize and study what the national problems are and arouse and instruct the people so that they may realize democratic government.

"In so doing, the patriotic intellectuals can correct whatever distrust they have with the present Government and in that way support it in its efforts to bring peace to China.

"About the specific point which Mr. Robert Clurman raised, I understand that various people had been making special efforts. I know no details. It seemed to me that America always hoped that the way could be found to end the civil war. It seemed to me that there is a way the people of the country could unite and find a solution for the difficulties. I did not say what solution or how it could be done. The American policy is the same as before. American aid is being extended to China with the hope that it will bring temporary relief, while some other fundamental solution may be found."

Dr. Stuart disclosed that earlier today he met with American correspondents in Nanking to clarify the misunderstanding that had thus been created by the UP report. He said the UP representative expressed "regrets", for having misinterpreted the Ambassador's statements. The Ambassador said that the UP representative "thought he was quoting me correctly. But the inference that he drew from my statement was certainly not my ideas".

Dr. Stuart, replying to a question, told Central News he singled out the intellectuals and the educated because they are capable of leading the masses. He suggested that the intellectuals and the educated might form a new party to offer constructive criticisms of the Government. Or they might be simply organized into groups for the purpose of advocating certain reforms and a progressive movement.

Dr. Stuart said he is alarmed at the negative attitude taken by the intellectuals and the educated—for instance professors in the universities—toward the Government. Many of them are criticizing the Government, he said, but are doing nothing to help improve it. These people ought to be active, he said, in playing their part under the new constitution, to help solve the problems of the country.

The American Ambassador said that while the China aid issue is now fully brought to the attention of the American people, they look forward to seeing "that there can be such a progressive movement launched with the support of the Government. The Americans are waiting for it. Thus the aid will achieve its maximum result".

In urging that the Government assist in the development of such a progressive movement, Dr. Stuart said that the nation needs the spirit that was behind the Kuomintang when it sought and successfully overthrew the Ching dynasty, when it launched the northern punitive expedition and finally when it led the nation in the war of resistance against the Japanese. The popular will supported the Generalissimo⁶³ (in the latter two campaigns). He believed that with that spirit prevailing the movement would be expedited.

Dr. Stuart said a solution to the Communist issue in China can be found. He said that in his belief the military phase of the Communist suppression campaign is not the whole story. The Government should seek to remove the causes that fertilize Communism. He pointed out that in all localities through the provincial governments down to the hsien, there should be close collaboration between the people, the officials and the military. He indicated that because there is this collaboration, the province of Hopei feels it has the situation well in hand. He said that he had learned that the people in the northeast do not want Communism and that is why such collaboration is all the more needed.

Dr. Stuart said that he believed a solution of the problems possible. He said he entertains as he has always done the highest hope in the Government and stood for the Government. He said he hopes the thinking people will support it and help to improve what they do not like about it.

Regarding the leaders of the Government, Dr. Stuart said he has the "greatest admiration for them. Many of them I have known for many years. They hold up well against officials of other countries".

STUART

893.00/2-2448: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, February 24, 1948—noon.

[Received February 24—8:48 a. m.]

93. According to secret situation report just issued by G-2 of NE Bandit Suppression Headquarters, Soviet Union delivered 1960 railway carloads equipment and ammunition to Chinese Communists during calendar year 1947. Deliveries made through Manchuria and Suifenh. Soviet instructors now training 60 regiments for Chinese Communist Army in North Manchuria.

Sent Embassy as 127, repeated Department.

WARD

⁶³ Chiang Kai-shek, President of the National Government of the Republic of China.

893.00/2-2448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 24, 1948—9 p. m.

[Received February 25—11:31 a. m.]

347. C. H. Chen, secretary of Generalissimo, confirmed today that Soviet Military Attaché, General Roschin, had offered Soviet mediation in China. He said that shortly before departure of Roschin, Chinese intelligence had intercepted radio message to Soviet Embassy, Nanking and had succeeded in breaking it. This message, according to Chen, directed change in policy toward China, in an effort to bring about some arrangement between Kuomintang and Communists. Mediation by Soviet Union would be possible, if desired.

Chinese were not surprised, therefore, when in calling upon Chang Chih-chung⁶⁴ to say goodbye, Roschin had expressed Soviet willingness to arrange peaceful settlement with Communists. Chen stated very emphatically that Chang Chih-chung's subsequent activities did not have approval of Generalissimo.

Chen thought this move by Soviets was only one element in the larger world picture. Action was under way, he said, to set up puppet regime in Korea and Soviets wished, he believed, to create similar situation Manchuria; thus with the inclusion of Outer Mongolia, completing cordon of buffer states in northeastern Asia. Chen insists that neither Generalissimo nor any other important official Chinese Government desires, or believes possible, accommodation with Communists at this time.

Department please pass Moscow.

STUART

893.00/2-2448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 24, 1948—10 p. m.

[Received February 25—1:48 p. m.]

348. ReEmbtel 338, February 23, noon. As a result of furor caused by my original interview with United Press and the subsequent elaboration I gave to Central News, there has been strong attack in Chinese press and Government circles on UP. In order to protect position of UP, I, therefore, on February 24 addressed following letter to Mr. Churman which I trust will end argument.

"In order to clear the record once and for all and to straighten out your position in the interview I gave you February 21, I wish to state

⁶⁴ Director of Generalissimo Chiang Kai-shek's Northwest Headquarters. "

that the quotes which you attributed to me were correct and that I agreed to their publication. I must also state, however, that I did not realize the interpretation which would be placed on my remarks in certain quarters, the fashion in which the headlines would play up certain sentences out of context or the meaning which would be read into them with respect to US policy. I had no intention of giving the impression I advocated that the Chinese Government should now undertake to renew negotiations with the Chinese Communists.

You may publish this letter."

STUART

893.00/2-2448 : Telegram

The Consul at Tientsin (Hinke) to the Secretary of State

TIENTSIN, February 24, 1948.

[Received February 25—1:10 p. m.]

49. Local press reports Communist troops launched attack on Changchiawo and Yangliuching 8 miles west of Tientsin between 11 and 2:30 last night. Audible gunfire shook municipal area. Self Defense Corps and 92 army units repulsed attack. Villages south of Wuching midway between Peiping and Tientsin reportedly seized by Communists during night February 22 and Hohsiwu north of Wuching taken on 23rd. Paoti some 40 miles north of Tientsin also occupied by Communists February 22. Yangtsun some 14 miles northwest of Tientsin occupied by Communists 22nd retaken by Nationalists 23rd. Military situation in Tientsin area quiet this month up to now.

Sent Nanking as 102; repeated Department as 49; Peiping February 24.

HINKE

893.00/2-2448 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

No. 26

PEIPING, February 24, 1948.

[Received March 10.]

SIR: I have the honor to refer to this Consulate General's despatch no. 2 of January 8,⁶⁵ forwarding the text of a communication received at Tientsin from (purportedly) a Chinese Communist organ, and to enclose as of possible interest in this general connection a copy (in English translation) of "A Warning from the War Criminal Investigation Division of the Chinese People's Liberation Armies to Chiang Kai-shek's Henchmen",⁶⁶ as received by a local Chinese per-

⁶⁵ *Ante*, p. 18.

⁶⁶ Not printed.

sonality of high official standing under date February 1, 1948. The communication was in lithograph form but bore the stamp of the aforementioned War Criminal Investigation Division.

The communication refers to the repeated proclamations from the Chinese Communist side that in 1948 they intend to "liberate" the entire Northeast and crush General Fu Tso-yi (Commander-in-Chief, North China Bandit Suppression Headquarters) and take over Peiping, Tientsin and other North China towns, and to the October 10 proclamation to Nationalist officials that they would be treated selectively, and stated that they were willing to give Chiang Kai-shek's "puppets" a last chance to repent and start anew, stating that neither "American imperialist money" nor munitions would be able to save Generalissimo Chiang Kai-shek from his fate. The communication threatened that the names of those officials who persisted in doing evil would be entered on the list of civil war criminals to be dealt with severely by the people: "Anyone who dares to stain his hands with the blood of the people will find the day of Peiping's liberation the day of his death!"

Respectfully yours,

O. EDMUND CLUBB

893.00/2-2548 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, February 25, 1948.

[Received February 26—6:14 a. m.]

95. ReContel 86, 20th.⁶⁷ Communist North Shensi radio February 11 reported that capture Liaoyang was effected within matter of hours after launching of general attack on morning of 16th, fighting having been brought to conclusion by afternoon same day. Same radio February 16 reported Communists took 10,700 plus prisoners at time capture of city.

Same radio February 24 reported destruction at Anshan of 25th Division of Nationalist Fifty-second Army and Communications Police Column with total Nationalist casualties including prisoners 12,997 upon capture of town on 19th. Prisoners at Anshan by same report totaled 10,558 troops.

Latter radio report stated further that Nationalist temporary 62d Division was destroyed on 19th between Faku and Ch'ang-t'u, total casualties that division given as 7,238 men including over 6,000 prisoners.

Sent Department as 95, repeated Nanking as 150, Tientsin and Mukden.

CLUBB

⁶⁷ Not printed.

893.00 Manchuria/2-2548: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, February 25, 1948—6 p. m.
[Received February 26—1:42 p. m.]

96. Two unrelated sources have informed me in last 2 days Nationalist forces Manchuria disaffected and refusing fight. Yunnan troops at Chinchow (part of Sixtieth Army) cited particularly as unreliable. Projected dispatch by Nanking of "battle supervisory group" as reported today's press adjudged by one observer to be related to refusal of troops to fight and to envisage use of such good troops as are available to prevent retreat or turnover by front line troops (reContel 95, 25th). Apparent ease with which Communists captured Liaoyang, Anshan and now (by report) Sinmin and Penhsi is indication of extent to which dissatisfaction has rapidly spread.

General Fan Han-chieh ⁶⁸ by unconfirmed report has thus far been able move only two divisions into Chinchow area. He showed himself uncommunicative but depressed in interview 21st. Unconfirmed report is that he will be relieved of troop command and given only Jehol chairmanship. Fu Tso-yi ^{68a} reported highly dissatisfied because despite heavy duties which he assumed, Nanking, although ready with fair promises, is failing send him needed munitions, supplies, money. Reported move Nanking impeach Shansi chairman Yen Hsi-shan, if basic reasons still unclear, cannot do otherwise than to add more fuel to fire discontent: Fu is old subordinate of Yen and latter whatever his politics controls all of that part of Shansi now remaining nominally in National camp—circles are seriously disturbed by future prospects for north China. High officials have reputedly already begun sending out families. Formosa is stated to be one place of refuge.

One official estimated this morning "all would be over one way or another" in Manchuria by end March. Respectfully suggest that present rapid rate deteriorating Manchuria situation there must be considered possibility sudden major collapse remaining Nationalists, strength here. Effect would immediately be felt North China, and dangerous situation would probably develop here within 3 months thereafter at outside.

Sent Department, repeated Nanking as 151. Tientsin and Mukden.

CLUBB

⁶⁸ First Army Corps Commander and Chairman of Jehol Provincial Government.
^{68a} Commander in Chief, North China Bandit Suppression Headquarters.

893.00 Manchuria/2-2548

The Consul General at Peiping (Chubb) to the Secretary of State

No. 29

PEIPING, February 25, 1948.

[Received March 10.]

SIR: I have the honor to refer to this Consulate General's telegram no. 88 of February 20, 1948, and to enclose as of pertinency in this general connection a copy of my memorandum of conversation⁶⁹ of that same date with General Ma Chan-shan (Commander-in-Chief, Sungpei Pacification Headquarters). The essence of that conversation has already been reported to the Department in this office's reference telegram. It will be observed from the memorandum, however, that General Ma had of late been in discussion with General Li Tsung-jen (Director, President's Peiping Headquarters) and General Fu Tso-yi (Commander-in-Chief, North China Bandit Suppression Headquarters), and it is therefore to be presumed that some of the thinking contained in his conversation with me reflected thoughts evolved in the course of discussions with those local military leaders.

The essential virtue of General Ma Chan-shan's suggestion that much more use be made of the strength of the people—and of the leaders—of Manchuria itself in fighting Communism resides in the circumstance that the old China system of political connections would in fact give to those leaders some drawing power which they might be able to exercise in respect to personalities and groups now found in the Communist camp. It is believed, however, that the advanced age of the several leaders concerned (Ma Chan-shan himself is 64 years of age, and Chang Tso-hsiang⁷⁰ and Wan Fu-lin⁷¹ are both about 70) makes it improbable that they could truly take active part in any field operations; and where they would find their more active lieutenants for those field operations is something which at the present time cannot be discerned. Having particular reference to the recent newspaper report that Chang Hsueh-liang⁷² was shortly to be removed from Taiwan to Kiangsi province, I asked General Ma Chan-shan whether there was any possibility that the "Young Marshal" would come out from his present confinement. General Ma indicated that it was uncertain whether the Nationalist Government planned that he should be released. The concluding observation that

⁶⁹ Not printed.

⁷⁰ Brother of the late Marshal Chang Tso-lin, ruler of Manchuria until June 1928, and former Governor of Fengtien.

⁷¹ Former Governor of Heilungchiang.

⁷² The "Young Marshal" of Manchuria and head of its government until the Japanese occupation of 1931. For his participation in the forcible detention of Generalissimo Chiang Kai-shek at Sian, December 1936, see *Foreign Relations*, 1936, vol. iv, pp. 414-455, *passim*. Chang had been detained since then by the Chinese Government.

seems called for in respect to any project for saving Manchuria for the Nationalists is that these various projects are being brought forward about two years too late.

General Ma estimated incidentally that the total Communist strength in North China (excepting from the computation the province of Shantung) was about 300,000.

Respectfully yours,

O. EDMUND CLUBB

701.6193/2-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, February 26, 1948—5 p. m.

[Received February 26—2:07 p. m.]

369. Foreign Minister ⁷³ informed me February 24 that Chinese Government had agreed to appointment Major General Roschin as Soviet Ambassador to China. According to vernacular press February 25, agreement to appointment was reached on February 22. It seems apparent that conversations re this appointment have been proceeding since at least February 18 (see Moscow's telegram 5 of February 18 sent Department as 319 ⁷⁴).

Department will recall that some time prior to his departure for Moscow, General Roschin was reported to have discussed with Chinese Army officers in Nanking their difficulties in the civil war, and expressed hope for peace. In making farewell calls immediately prior to his departure, it is known that he raised question of possible Soviet mediation with Chinese Government officials, including Shao Li-tze ⁷⁵ and General Chang Chih-chung. While Government has officially denied that any such Soviet approach has been made, officials of the Government have admitted in private conversation with Embassy officers [and others] that *démarche* was, in fact, made and there is evidence that Chang Chih-chung at least had Generalissimo's tacit approval to see what could be done toward obtaining Soviet assistance in halting civil war in China. At least the Generalissimo has not stopped Chang's activities to that end.

Although the Communists have so far obtained all their military objectives in Manchuria without too much difficulty, it is entirely possible that they themselves would wish at least a temporary cessation of hostilities after they have captured Mukden, during which they could consolidate their position in Manchuria in preparation for intensified penetration south at appropriate time, meanwhile denying

⁷³ Wang Shih-chieh.

⁷⁴ Not printed.

⁷⁵ State Councilor.

responsibility for operations for Communists south of Wall. Also, at this stage of Soviet expansion we can conceive how Soviet Government would wish to complete its buffer of satellites in northeast Asia by setting up a puppet regime in Manchuria strategically located between Korea and Outer Mongolia. We are prepared to believe, therefore, that the return of Roschin as Ambassador may mean a Soviet desire to mediate at this time.

On the other hand, Chinese concurrence in appointment Roschin does not necessarily mean Chinese Government has immediate intention of seeking Soviet mediation. However, we feel that this may well be the case if Chinese Government becomes convinced that its military position in Manchuria is hopeless. Wei Li-huang, Commander in Chief Manchuria,⁷⁶ has indicated that his ability to maintain a foothold in Manchuria is entirely contingent upon the willingness of the US to supply military matériel immediately and on a large scale. Government Nanking has been equally pressing in its demands for military assistance. While we are of the belief that these appeals for aid are based on real and urgent need, we also feel that they may have been put forward at this time to test our intentions, present or future. In the event that military assistance of the specific type now requested from US is not forthcoming, it is conceivable that the Government might make use of the channel provided by the presence of General Roschin to accept the good offices of the Soviet Union in mediating in the civil war. Previously Generalissimo has been adamantly opposed to any Soviet approach or resumption of negotiations with Communists and there is no reason to believe that he has changed his mind as yet. It is possible, however, that in this situation the Generalissimo is subject to pressures arising from the desire for an end to the civil war, which he cannot withstand. War weariness is spreading and the desire for peace is held to an increasing degree by high military and civil officials, and is becoming prevalent in high military circles where its presence was not formerly apparent. Unless convinced that it is our intention to supply sufficient military assistance to turn the tide in their favor, the military group, now becoming increasingly convinced that the civil war cannot be won by the Government without American aid of type not hitherto contemplated by US, may possibly, we feel, exert every influence on the Generalissimo to seek a peaceful settlement with the Communists.

We wish to reiterate our belief that the ruling factors in the overall situation as seen by the Government are military. Generalissimo himself, we believe, remains convinced that military solution is possible. He is adamant that he will hold Mukden, Changchun and Kirin.

⁷⁶ Commander in Chief of Bandit Suppression Forces in the Northeast and Acting Director of Generalissimo Chiang Kai-shek's Headquarters in the Northeast.

As we see it, the Government may be, in the present juncture, taking advantage of the Soviet *démarche* to seek to force from us a clear commitment of our intentions on a military level. At the same time the Government appears purposely to be giving us a plain indication of an alternative course of action open to it in the event we do not supply its immediate requirements for military aid.

As has been his practice in times of acute crisis, the Generalissimo has been communing with himself in Kuling for past 2 weeks and we have good reason to believe that when he returns to Nanking, now anticipated February 27, he will effect changes in the political and military setups. These changes, when known, should give an indication of course of action he intends to follow.

Department please pass to Moscow.

STUART

711.93/2-2648

The Ambassador in China (Stuart) to the Department of State

No. 90

NANKING, February 26, 1948.

[Received March 10.]

The Ambassador has the honor to enclose for the information of the Department, copy of a New China News Agency commentary entitled, "Salute to the American People" which was broadcast by the North Shensi Radio on February 15, 1948. The Department's particular attention is drawn to this broadcast, not because it contains anything new and startling, but simply because it is such a typical example of the type of unrestrained abuse to which the Chinese Communists are continually subjecting the United States. It is also a good example of the kind of propaganda which we must find ways and means to counteract.

[Enclosure]

Broadcast by North Shensi Communist Radio

North Shensi, February 15th: A New China News Agency commentary entitled "Salute to the American People" reads as follows:

A national conference on American policy toward China and the Far East, sponsored by the Committee for a Democratic Far Eastern Policy, was held in New York from January 23rd to 25th. This conference decided to take action against sending of munitions and other aid by the United States Government to dictator Chiang Kai-shek and the Dutch and French aggressors. The fifty thousand strong American International Longshoremen's and Warehousemen's Union has already decided to forbid transport of foreign aid in war materials

and American . . .⁷⁷ at the beginning of this month have begun a movement against aid to Chiang Kai-shek.

These are just actions of the American people to aid the Chinese people and other oppressed peoples of far eastern countries. We wish to express our salute to the American people in the highest terms.

During the past two years, the progressive organizations of the American people have ceaselessly given moral support to the just struggles of the Chinese people. The conference on China and the Far East held in San Francisco in October 1946 passed resolutions demanding that the United States Government withdraw American troops from China and put a halt to military and economic aid to Chiang Kai-shek's civil war.

Since last year, progressives and progressive bodies have moreover continuously attacked the reactionary policy towards China of the United States Government and given moral support to the Chinese people's movement for independence and democracy. The recent "National Conference for American Policy Towards China and the Far East" is however of a broader mass character and its resolutions have called for direct action.

American imperialists in America strive to cover up their criminal acts of aiding Chiang Kai-shek's gang. They tell the American people that the American imperialist government is helping Chiang Kai-shek because Chiang Kai-shek's armies are "fighting for the existence of the English speaking nations." They attempt to describe the interests of a handful of Wall Street banking and munitions magnates as the interests of the entire United States and even the entire "English speaking nations."

But the wild schemes of American imperialists to aid Chiang Kai-shek and subjugate the Chinese nation are not only in opposition to the Chinese people but are also cruel attacks on the interests of the American people.

The United States Government has since the war given four billion American dollars worth of military materials and loans to aid Chiang Kai-shek in waging civil war. American banking and munitions magnates have in the process reaped enormous profits while placing the whole burden on the American People in the form of increased rents and taxes and inflation (soaring prices). American finance capital is endeavoring to deprive the American people of various basic democratic rights they have enjoyed and is carrying out a hunger policy towards the American people.

The facts prove that American imperialists are mortal foes of the American people and that the interests of the American people fully accord with those of the Chinese nation. The just action of the Amer-

⁷⁷ Omission indicated in the original.

ican people has given great encouragement to the Chinese people's war of liberation. The Chinese people are also deeply aware that the victory of the Chinese People's Liberation Army over the running dog of American imperialists, Chiang Kai-shek is also assistance to the American people. The great international solidarity of the Chinese and American people in their just fight against American imperialism.

893.00/2-2748 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, February 27, 1948.

[Received February 28—2:58 a. m.]

451. Chinese press [*China Press?*] of 28th carries story that "group of Shanghai's leading citizens" including Mayor Wu; T. J. Hsi, manager National Industrial Bank; S. S. Shen, Central Bank; C. C. Chen, Export-Import Board, and K. P. Chen, Shanghai Commercial and Savings Bank, are supporting Li Tsung-jen's candidacy for Vice President. According to paper, "the group felt that General Li along with Pai Chung-hsi⁷⁸ and Li Chi-shen⁷⁹ has in the past been aligned against Gimo and therefore would not be "yes man" if he should be elected. Pointed reference was made to General Li's recent blast at Government corruptions and nepotism. They also stressed democratic leanings of their candidate. Although their man had recently made statements antagonistic towards some cliques in Kuomintang by favoring some kind of peaceful settlement to civil war, General Li's supporters considered him highly possessed of facilities needed in event of peace talks initiated by Communists." Article also states Ambassador Stuart has reportedly urged Li to run for post.

Sent Department 451, Nanking 323, Peiping 52.

CABOT

893.00/2-2848 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, February 28, 1948—7 p. m.

[Received March 1—9:04 a. m.]

106. Yingkow captured by Communists February 26. Speed with which capture executed indicates Government forces, consisting 1 division plus 2 regiments former PPC⁸⁰ troops, poorly equipped and trained and low morale caused by Government failure furnish equip-

⁷⁸ Chinese Minister for National Defense.

⁷⁹ Marshal Li was expelled from the Kuomintang in 1947 because of anti-Government activities; he was chairman of the Kuomintang Revolutionary Committee.

⁸⁰ Peace Preservation Corps.

ment and ammunition although having knowledge shortage since early summer, put up very little or no resistance. Communist radio reports, probably accurate, state Wang Chia-shan, C. O. Government's 50th [58th] Division of Fifty-second Army, seized complete power Ying-kow and surrendered city together with 10,000 troops to Communists.

Government leaders including Mayor Yuan Hung-ta and Cheng Ming-hsin, Chief Staff who resisted surrender, were taken prisoner by Wang and troops desiring resist Communists were disarmed.

Sent Embassy, repeated Department 106, Tientsin 65, Peiping 75.

WARD

893.00/2-2948 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, February 29, 1948.

[Received February 29—9:59 p. m.]

104. ReContel 101, 28th.⁸² Communist North Shensi radio last night announced launching general Communist attack on northeast Kaiyuan afternoon 27th and capture that point same evening with destruction one regiment Nationalist temporary 39th Division and in addition that part of temporary 62d Division which had withdrawn from Faku. Report stated battle results being checked.

Same broadcast carried further laudatory message from Communist northeast Commander in Chief Lin Piao and Deputy Political Commissar Lo Jung-heng to Commander Wang Chia-shan and troops of temporary 58th Division which reputedly (see Consulate's reference telegram) turned over to Communists at Yingkow.

Sent Department as 104; repeated Nanking as 165, Tientsin, Mukden.

CLUBB

893.00/3-148 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, March 1, 1948—8 p. m.

[Received March 1—4:26 p. m.]

396. From Moscow viewpoint, Embassy has regarded Soviet mediation approach in China as consistent Kremlin's general Far Eastern aims (Embtel 350, February 21⁸²). In addition to possibility of quickening completion buffer satellites Northeast Asia (Nanking's 369, February 26 to Department) prospect of other favorable consequences must have impelled Soviets to this step. Aware of critical Chinese

⁸² Not printed.

situation they can expect such an offer to widen split in Kmt,⁸³ to strengthen group already favoring compromise with Communists through Soviet mediation, and to accentuate divergence of policy between US and China, particularly on Jap peace. Playing role of mediator would also present Kremlin ideal opportunity to water-tighten control of Chinese Communist policy and check any excesses of independent exuberance which military successes might be arousing.

Kremlin must believe it stands to gain whether Chinese accept or reject mediation offer. If Generalissimo accepts, Communist battle for China, and eventually most of Asia, is half won. If he rejects, Kremlin may then be expected to trumpet to world in self-righteous verbiage its vain attempts to secure peace in China, its "spotless" record of correct relations with National Government (including extension nonaggression pact—Embtel 353, February 21) and its untiring efforts to assist formation "people's coalition government".

Then, however, we might look for stepping up of events in North-east Asia with Chinese Communists finally given green light to set up their independent government.

Neither prospect pleases, but rejection is clearly preferable to acceptance. Consequently Embassy can only emphasize the obvious, that every argument should be used to convince Chinese of perils of Soviet mediation. "Beneš"⁸⁴ shattered illusions on fate Czechoslovakia" only most recent example. An agreement with China on Jap treaty procedure (Embtel 350, February 21) would be a timely counter-measure worth exhausting every effort to achieve.

Department pass Nanking 8.

SMITH

811.20200(D)/3-148

The Ambassador in China (Stuart) to the Secretary of State

No. 103

NANKING, March 1, 1948.

[Received March 9.]

SIR: I have the honor to refer to the Department's Secret Instruction of December 24, 1947⁸⁵ (which was not received in the Embassy until January 21, 1948) and the Department's Top Secret Circular Airgram of December 8, 1947, 10:45 A. M.⁸⁶ concerning the United States information policy. The Embassy is in complete agreement

⁸³ Kuomintang (Nationalist Party).

⁸⁴ Eduard Beneš, President of Czechoslovak Republic, when the Communist *coup d'état* took place in February 1948.

⁸⁵ Telegram No. 1567 not printed; it suggested that until policy directive and actions thereunder were decided upon the Embassy refer to the Department specific projects proposed to counteract anti-U.S. propaganda (811.20200(D)/12-947).

⁸⁶ Not printed.

with the necessity expressed by the Department for urgent reconsideration of our information policy in the face of the mounting and unending flow of abuse and false charges to which the United States is being subjected by the Soviet Union and its allied communist groups throughout the world. As the Embassy has previously pointed out, this campaign against the United States is having measurable success in China. This success is partially attributable to the internal conditions inherent in the Chinese situation and the failure of the National Government to cope with these conditions in a satisfactory manner. It is also partly the result of our failure to meet in a convincing manner the charges preferred against us. The Embassy is in substantial agreement with the outline of objectives and procedures as set forth by the Department; it would however make a few observations for the consideration of the Department.

On the basis of information presently available, the Embassy would be most reluctant to recommend any specific course of action. To do so with any reasonable prospect of success, we believe we should first have a competent and detailed study of Chinese public opinion by someone of recognized competence in the field such as Harold D. Lasswell.⁸⁷ In distinction to other areas in the world, relatively little has been done in the field of public opinion in China. Public opinion in Europe and in the other American republics follows patterns and cycles which are sufficiently similar to our own so that we can with reasonable prospects of success plot a course of action and have some idea of the results we can expect to obtain. Furthermore, their media of expression and dissemination of information are comparable to our own. The same cannot be said of China where patterns of thought and of methods of expression are totally different. For the present, any campaign of information which may secure the objective we desire does so purely by luck. The Chinese even when they seem to have a fairly adequate command of the English language still do not speak our language and words do not have the same meaning to them that they do to us, to say nothing of the reaction when the language is Chinese. Even individual Chinese who, through schooling and long residence abroad, have acquired a thorough command of western media of expression and psychology, find great difficulty in projecting themselves into a sympathetic pattern of understanding with their fellow countrymen. It is no exaggeration to say that the western-oriented Shanghai Chinese probably are more hated by the mass of Chinese than any other group in the world. On the other hand, there are a few foreigners, some even who have no knowledge of the Chinese language, who for unknown reasons are wholeheartedly welcomed into traditional Chinese circles. To cite another example, everything we know about customary Chinese usage,

⁸⁷ Professor of law, associate editor of the *Public Opinion Quarterly*.

politeness and face-saving, would certainly seem to counsel against a too direct or blunt approach. Yet, there is probably no line of propaganda being fed to Chinese public opinion at present which is any more abusive, insulting and at times even foul than what the Chinese Communists are directing at the National Government and at the United States. It is apparent that this line is not without success. It is important that we should know why. Material which is put out and which superficially at least seems to us cut out of the same pattern is sometimes acceptable to Chinese and is sometimes offensive to their sensibilities. There is as yet no obvious explanation for the variation in reaction.

By the same token, we are daily aware of the fact that whereas National Government propaganda is seldom believed by the bulk of Chinese public opinion, that which is distributed by the Chinese Communists is accepted altogether too frequently in uncritical fashion. The endless repetition of the charges against the United States are in fact accepted by large groups, even those which should know better.

At present we are in no position to evaluate the effectiveness of Soviet propaganda as distinguished from that of the Chinese Communists. There is some reason to believe that it is not wholly without success. To counteract it we must know what is being said, what is accepted and why.

The above factors lead us to the conclusion that unless an American information plan is based solidly on an accurate knowledge of Chinese public opinion it will not secure the desired objectives and in instances may even prove to be positively harmful to American interests. We therefore feel compelled to recommend that any program be preceded by an intensive and competent study of Chinese public opinion. This study could be carried out directly under the aegis of the Embassy or if it seemed desirable it could be worked out under the cover of a special project by the United States Educational Foundation in China.⁸³

In view of what we consider the very real urgency of an effective program, the Embassy is now working on one or two intensive programs with specific and limited objectives which will shortly be submitted for the consideration of the Department.

The Embassy would welcome the Department's comments and reactions.

Respectfully yours,

For the Ambassador:
LEWIS CLARK
Minister-Counselor

⁸³ Established under the United States-China agreement signed at Nanking on November 10, 1947, Department of State Treaties and Other International Acts Series No. 1687, or 61 Stat. (pt. 4) 3582.

893.00/3-148

*The Consul General at Hong Kong (Hopper) to the Ambassador in China (Stuart)*⁸⁹

HONG KONG, March 1, 1948.

Subject: Views of Marshal Li Chi-sen.

SIR: I have the honor to enclose a copy of a memorandum⁹⁰ dated February 28, 1948, in which Vice Consul R. M. Service furnishes an account of an interview with Marshal Li Chi-sen.

Summary of Enclosure. Marshal Li stated that the Kuomintang Revolutionary Committee advocates a return to the orthodox principles of Dr. Sun Yat-sen; the Committee therefore claims to be an orthodox movement within the Party. It favors the establishment of a coalition government in which the Communists will participate to a degree relative to the amount of territory controlled by them. The United States is largely responsible for the survival of the Generalissimo and his reactionary supporters, and the continuance of American military, economic and moral aid to the Central Government is retarding the inevitable collapse of the Gimo and therefore increasing the ultimate Communist role in the Government. American relief supplies should be distributed entirely by Americans and should not be exploited for political purposes by the Kmt. The Chinese National Army is tired of the civil war and will support a liberal re-organization of the Government. Dissatisfaction with the Chiang regime is widespread within the Kmt. Marshal Li does not favor Communism and will not support Communist domination of China. Under a coalition government the Communist Army will be nationalized. Li Ts'ung-jen is seeking the Vice Presidency so that he may resign from his military post in Peiping.

It is possible that Marshal Li's public statements reflect a desire to establish good relations with the Communists, without whose support he can scarcely hope to set up a coalition government after the collapse of the present government. *End of Summary of Enclosure.*

Respectfully yours,

GEORGE D. HOPPER

893.00/3-348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 3, 1948.

[Received March 3—12: 04 p. m.]

406. Following article carried in all English-language papers and vernacular press, datelined March 2:

⁸⁹ Copy transmitted to the Department by the Consul General without covering despatch; received March 29.

⁹⁰ Not printed.

"General Pai Chung-hsi, Minister of National Defense, today blamed General George Marshall's⁹¹ peace negotiations as the main cause of Chinese Communist power and present Nationalist crisis in Manchuria. Reporting to Central Political Council, he said 116,000 Communists which Mao Tze-tung⁹² moved into Manchuria by land and sea after V-J Day were utterly routed by a series of Nationalist victories culminating in capture of Szepingkai and Changchun in May 1946.

"At that time, Minister Pai asserted, the Nationalists could have wiped out Communists and forged ahead to capture Harbin and Kai-musze in Manchuria 'without much difficulties'. He said Marshall, however, negotiated a Manchurian truce and stayed the Government's hands, giving Communists an invaluable respite for regrouping and rebuilding their forces.

"Pai assured council that despite all difficulties, Government is determined to hold on to Manchuria because it occupies a key point in national defense. He described Manchuria as 'door to domination of China' and pointed to Manchuria's annual production capacity of 3,000,000 tons of steel and iron, 19,000,000 tons of foodstuffs, 3,000,000 kilowatts of power and 12,000 kilometers of railways as evidence of its importance in China's national existence.

"Pai expressed confidence in ultimate victory over Communists but warned it will take long time. He also warned not to underestimate Communists who, he said, have 20 years' war experience and are 'backed internationally'.

"He said war against Communists should be 30% military and 70% political and advocated prompt and proper implementation of Sun Yat-sen's principles of land reforms and equalization of wealth as best weapons against Communists."

STUART

893.00/3-348 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, March 3, 1948—6 p. m.

[Received March 4—8:26 a. m.]

113. General Wei in conference today with Military Attaché Soule⁹³ and me reiterated confidence his ability hold Chinchow and Mukden "islands" if sufficient troops sent NE restore and keep open rail communication between Mukden and North China but admitted without such communications in Mukden area without much hope. I have no reason disbelieve Wei. Wei reasonably certain additional troops will be forthcoming even though may mean serious weakening and loss territory intramural China to Communists. Although seriousness situation not minimized by Wei, he is not as pessimistic as 2 weeks

⁹¹ General of the Army George C. Marshall, Special Representative of President Truman in China, December 1945-January 1947.

⁹² Chairman of the Central Committee of the Chinese Communist Party.

⁹³ Brig. Gen. Robert H. Soule.

ago. Appears to have excellent defensive system worked out for Mukden. Unusually early thaws south Liaoning working Government advantage. Expeditious and intelligent recent use 155 mm artillery by American-trained artillery officer Wei staff Hsinmin and Suchiatun areas indicated to Communists [that] Government would not tolerate loss either point passively. Communists now making general withdrawal northwards including troops formerly in Hsinmin area and Communist 4th and 8th column in Anshan and Yingkow areas. Communists apparently do not want tired and somewhat disorganized troops remain south Mukden-Hsinmin line and be caught between flooding rivers. This factor may well give Government forces Mukden-Hsinmin-Chinchow area one month support unity, bring in reinforcements and reopen rail communications. There is definitely no indication Mukden will fall to Communists through military engagement in near future as was held by many circles some weeks ago. If Govt can succeed in restoring rail communication on Mukden-Peiping rail line, belief growing here Mukden can be held successfully unless local resistance is weakened by crisis at Nanking or serious military reverses North China.

Sent Dept, repeated Embassy as 158.

WARD

893.00/3-448

The Ambassador in China (Stuart) to the Secretary of State

No. 109

NANKING, March 4, 1948.

[Received March 9.]

SIR: I have the honor to comment on the most recent political trends in this country. In general the deterioration, military, economic and psychological, is accelerating. The last of these is both cause and effect in the armies and in fiscal matters. It is also becoming more apparent even in the higher ranks of government officials. Chinese fatalism and the passive acceptance of what they feel cannot be helped paralyze the will. The lack of solidarity, except in the central core of the Kuomintang, is a fatal weakness. It was this that I had chiefly in mind in my Statement to the Chinese people. The Government leaders saw in this principally one more criticism of themselves and resented it which may be partially due to an almost pathological sensitivity and a fear of whatever might further disturb the market and weaken morale.

Apart from the loss of morale, the military disasters derive from bad generalship and shortage of equipment. In Manchuria it is now chiefly the latter. After at last removing the leaders whose incom-

petence you repeatedly pointed out the Generalissimo sent General Chen Cheng ⁹⁴ who was ill and was caught by the Communist "sixth offensive" last autumn when he was in the midst of his attempted reforms. General Wei Li-huang seems to be a really good man but his desperate need of ammunition has been fully reported by us. As this leaks out among the troops the already low morale may crack completely.

General Barr ⁹⁵ is beginning to give much-needed advice, primarily in the logistics of relief for Mukden. I am more and more pleased with his whole approach to his assignment—improvements within the Army Advisory Group itself, social relations with Chinese, his careful study of all factors entering into the problem, and especially his dealing with the Generalissimo. The choice of him by General Eisenhower ⁹⁶ and yourself seems to me to have been thoroughly confirmed by his record since arrival here. I have tried to impress on the Generalissimo that all such advice is informal and confidential and shall continue to do so. But even with such precautions I am fearful of leaks. General Barr himself is on guard against this danger.

The Chinese public, including officials all through the Government, are already talking as though Manchuria were lost and that North China will follow soon after, including ultimately the whole region north of the Yangtze River. The disintegrating effects of this fatalistic mood are seen not only in the spiritless attitude of the troops and the mounting inflation, but also in the attempts of individuals to take their families and funds to some haven of safety such as Hong Kong or Formosa. Fantastic rumors succeed one another, many of them started no doubt by exchange speculators. On the other hand, the common danger is bringing together hitherto unfriendly groups within the Government and the determination to fight Communism at any cost is hardening among almost all the more influential leaders. There are some among them who look in desperation to the Soviet Union—rather than the Chinese Communists—on the ground that anything is better than the lengthening of the present distress. But their influence is almost negligible as long as President Chiang stays in office. None the less there are clear indications that Russia is becoming more interested in Chinese affairs and is offering to mediate in the civil strife.

The present tension is accentuating the peculiar Chinese dread of public criticism and the fallacious habit of thought to the effect that the maintenance of proper appearances is the supremely important

⁹⁴ Former director of Generalissimo Chiang Kai-shek's Headquarters in the Northeast.

⁹⁵ Maj. Gen. David G. Barr, Chief of U. S. Army Advisory Group.

⁹⁶ General of the Army Dwight D. Eisenhower, Chief of Staff, U.S. Army.

emphasis. This "make-believe" is a deeply-ingrained instinct and helps to explain why in the present debacle Government officials issue statements which are manifestly unreal and why they fear and resent any revelations to the contrary. It is hard for them to break away from government by fiat in the effort to preserve reassuring illusions. This also explains in part the repressive policy toward freedom of thought and expression. I have in speeches and personal conversations, and especially in my recent message to the Chinese people, gone far beyond the diplomatic proprieties in a rather futile effort to bring about better understanding and cooperation between the Government and the large numbers of loyal, public-spirited citizens. I am more than ever convinced that the top men in the Government really want to effect the needed reforms and that the great majority of the thinking people, although very critical of the Government and supinely passive, do not want China to be communized. In this respect, therefore, the situation remains hopeful. I have been eagerly waiting for a renewal, either within Government circles or among the intellectuals, of a new patriotic movement with something of the passionate enthusiasm which I had witnessed in 1911, and again repeatedly in anti-Japanese resistance. The Communist Party could not long withstand any such unified and determined awakening and our assistance could then be so much more easily and effectively given. It may be that this urge will even yet take form before it is too late, although the present rapid demoralization will be increasingly difficult to neutralize. The economic aspects of the problems have already almost reached the point where even the highest morale could not do very much to alter the hard objective facts.

What may be expected, therefore, is withdrawal by degrees from Manchuria to south of the Yangtze River, or quite possibly the break-up into regional and loosely federated units. The Central Government instead of removing the capital to Canton might encourage the strongest men to scatter and carry on, each in his own territory, with virtually independent authority. This would have the advantage of more direct control of local administration and of rallying militia bands to protect their homeside from bandits or Communists. These federated units might maintain a common organization for foreign affairs, etc. T. V. Soong ⁹⁷ is making an excellent beginning in Kuangtung and is reaching out into Hunan. These two provinces with Kuangsi and in time perhaps Fukien and Kiangsi might be grouped into a single bloc.

General Fu Tso-yi is another instance of what one competent man can accomplish. His professional ability combined with moral pur-

⁹⁷ Governor of Kwangtung and Chairman of Generalissimo Chiang Kai-shek's Canton Headquarters.

pose and genuine concern alike for the people and his own soldiers have already brought a measure of order and of hope in the north. He is cooperating well with the newly appointed Civil Governor of Hopei.⁹⁸ His chief fear is that some of his troops will be withdrawn for the defense of Manchuria.

This last sentence suggests the importance of an over-all strategy. At present there seems to be no such plan and the Government is usually on the defensive or at best recovers towns which the Communists have abandoned. I am still strongly of the opinion that what the Chinese need most is technical advice and assistance in Service of Supply. If this can be broadly interpreted so as to include replacement training centers and the provision for troops essential to reviving their lost morale, there seems to me good reason to hope for a definite reversal in the present unfavorable trend. The training should include inspiration and indoctrination, and the American advice should be explicit and insistent as to personnel. Further advice from us as to reforms in civil administration and effective publicity would be heeded not too reluctantly in their present mood of despondency and the renewed hope in the military outlook. Such a program is almost provided for in principle within our present policy and the consequences are so enormously important that prompt implementation seems to be abundantly worth the effort. All of us here will continue to assist you as best we can in whatever further instructions you give.

Respectfully yours,

J. LEIGHTON STUART

893.00/3-548

*Memorandum by the Chief of the Division of Chinese Affairs (Ringwalt) to Brigadier General Marshall S. Carter*⁹⁹

[WASHINGTON,] March 5, 1948.

Attached is Nanking's despatch no. 35 of January 26, 1948¹ in which are described Bishop Meigan's views on the China situation. It is believed that his observations, based largely on his residence in Honan, may be of interest to the Secretary . . .

Summary of Bishop Meigan's Views: The major Communist strategic aim in 1948 is the crossing of the Yangtze and the development of offensive operations in central and south China. The Communists cannot take cities by direct assault but apparently believe they can reduce Nationalist garrisons by isolation and attrition. Much American equipment (carbines, machine guns and rocket launchers) has been

⁹⁸ Lt.-Gen. Chu Hsi-chun.

⁹⁹ Special Assistant to the Secretary of State. This memorandum was initiated by the Director of the Office of Far Eastern Affairs (Butterworth).

¹ Not printed.

seen in the hands of regular Communist troops. The latter are well-trained, well-disciplined and thoroughly indoctrinated. Their leadership is of high order and they appear convinced of ultimate victory. Nationalist morale is low in all echelons and the Nationalist rank and file is inferior to the Communists. Communist techniques of occupation result in consolidation of political control to the point where reconquest by the Government would not only be difficult but also insufficient in itself to eradicate Communist influence completely. Communist propaganda, generally pro-Soviet and anti-Government and anti-US, is effective. The Chinese Army cannot eliminate communism as an armed force without US aid. It needs not only US equipment, but also US advice, including American officers with some command function, down to and including the division level. Failure to provide such aid will mean a Communist China with the end of US business and missionary activity as a certain result.

A[RTHUR] R. R[INGWALT]

893.00/3-548 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, March 5, 1948—3 p. m.

[Received March 8—10:41 p. m.]

114. News correspondent (American) yesterday informed me that she and colleague had received from source connected with Li Tsung-jen story purporting to give basic reasoning behind Li's candidacy for Vice President (ReContel 24, January 13).² Projected political move contemplates development by three general stages as follows:

(1) Threat in military situation might cause Generalissimo accept reforms proposed in veiled terms in Li's initial announcement of January. Chiang's approval of candidacy would indicate he approved reform project, whereas his support of Yu Yu-jen's³ candidacy would indicate refusal.

(2) In event acceptance of program and Li's election to Vice Presidency, negotiations would be undertaken to reach some understanding with Communists bring cessation civil war.

(3) [In] Implementation such hypothetical understanding, Chiang would probably have [to] resign temporarily.

Informant stated story possibly given out intentionally for publication with certain attached conditions: First part might be given fully, second part suggested, third part not mentioned at this stage of matter. Li source implied it was assumed Generalissimo had not yet made up mind whether throw support to Li or Yu but another

² Not printed.

³ President of the Chinese Control Yuan.

newsman reports that UP correspondent (Chinese) Nanking has informed Shanghai office that Chiang has definitely decided to back Yu. This would fit in with report conveyed Contel 115, February 9 to Embassy.^{3a} In light existing circumstances following deductions seem warranted:

1—Li group in making present publicity moves motivated by desire bring American public opinion to bear on situation, it being assumed there exists American support for reform move.

2—Group plans major reorientation of policy if they get Li into Vice Presidency.

3—Such policy would possibly be with reference to military as well as political and economic affairs.

4—It is still uncertain whether truce arrangements with Communists would be possible or whether group as alternative move might contemplate strategic reorientation and adjustment of military position.

5—In any event it is evident from logic and what is known regarding position of Chiang and reputed plans that Chiang's removal from scene is contemplated. Plan probably actually proposes such removal would be permanent.

Indications are Li's move is well planned project for giving successor leadership to optional government thru facilities offered by institution constitutional processes. His plan probably has more powerful supporters than those whose names have thus far been mentioned. Generalissimo's support of Yu Yu-jen would seem on face of things sufficient to give stamp official Kuomintang approval but it is to be noted that Li and his group may well have considered this possibility that candidacy of such figurehead as Yu and pushing of Li candidacy by "undemocratic processes" would in itself create situation favorable to certain types political moves by Li group and that perhaps some alternative move has already been formulated.

As observed by quoted news correspondent, it is to be anticipated that Generalissimo's resistance to projected reform will be in direct ratio to strength of his conviction that American aid is forthcoming.

Sent Department as 114; repeated Nanking as 178, Tientsin and Shanghai 110.

CLUBB

893.00/3-848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 8, 1948—6 p. m.

[Received March 9—8: 59 a. m.]

432. With reference to reported Soviet offer of mediation in China's civil war (reEmbtel 369 to Department and Moscow's 396 of

^{3a} Not printed.

March 1, passed Nanking by Department as 8), local Chinese press reports that March 2 meeting of Political Committee (Cheng Wu Hui) of Executive Yuan categorically denied "news and peace talks which have been circulating", whereupon the Executive Yuan ordered all provincial and municipal governments to deny rumors of peace negotiations. Despite this action our evidence is conclusive that the subject was broached, however informally, by General Roschin just prior to his departure for USSR in January. We are in agreement with Moscow that such an act is consistent with general Soviet Far Eastern aims (Moscow's 396 of March 1, repeated Embassy as 8).

If our analysis of current China situation is correct, we incline to believe that from Chinese Government standpoint, Soviet mediation might before long become necessary and even desirable. From American standpoint any Soviet injection into Chinese situation has objections which hardly need elaboration, though we can foresee a possible situation where such a Soviet move might be turned to our advantage.

There is increasing evidence that despite the announced intention of present Government leadership to continue the civil war, strong opposition to this policy by civil and military officials, as well as by the general public, particularly the intellectuals, may soon become sufficiently strong to compel present leadership to abandon this policy in favor of negotiated peace or face the threat of being discarded. It is difficult at the moment to define precisely the scope of this opposition or its strength, but the fact of its existence or of its growth can hardly any longer be denied. The disintegration and decay which has characterized all phases of the Government's activities during the past several years continues and in recent weeks has been accentuated. It is increasingly apparent that the Government is over extended militarily, with resulting inability to prevent continued economic deterioration and has reached point where its over-all political control is imperiled.

The Government now exerts only a tenuous control over approximately 1 percent of Manchuria and not more than 10 or 15 percent of that part of China proper north of the Yellow River. Between the Yellow River and the Yangtze there are strong Communist elements and there has been infiltration even south of the Yangtze. Government forces are hard pressed and on defensive in practically every theater. There is increased demoralization, a fatalistic feeling that collapse of the Government is inevitable, and a decided trend toward regionalism; each regional leader is looking about for means to defend himself against the Communists when he can no longer call on Nanking.

With this alarming situation there is need for inspired leadership which is not forthcoming. Those in control of the Government seem almost frantic in their search for solution, yet incapable of taking the

necessary initiative. Increasingly, it is the Generalissimo who must make the decisions and he continues the slave of his past and unable take drastic measures required. He may be expected, we believe, doggedly to continue the fight with the idea that if worse comes to worst, he can withdraw to Canton where T. V. Soong is engaged in building a stronghold, and let regionalism again prevail.

There is, however, likelihood that opposition with the Government may not permit this course of action. This opposition is well aware of the perils of Soviet mediation, but appears inclined to prefer such mediation to a continuation of current struggle, the only end to which they increasingly fear will be a Communist-dominated China.

Such a negotiated settlement would likely require the disappearance from the political scene of the present dominant leadership, including the Generalissimo. Yet, we cannot rule it out. While present criminally inept and wasteful strategy can postpone temporarily the loss of major strategic points, it cannot do so indefinitely. By far the greater part of the Government's military and economic resources have been committed to Manchuria and North China. Despite the scale of this commitment it has not forced, and shows no sign of forcing, a decision on the Government's behalf. Failing American economic aid on an impossibly large scale, failing active American military aid, and failing competent Chinese leadership and planning, there may be revolt within the ranks of the Kmt and acceptance of the Soviet offer to mediate in the forlorn hope that such a compromise would give a breathing spell for regrouping, consolidation, and the emergence of some dynamic quality that would again create the will to victory now lacking. The dangers of coalition with Communists are well known to those in opposition. Most likely accommodation would, therefore, be on a purely territorial basis which would, in effect, be but a temporary, though perhaps prolonged, truce. In any case, we feel it is entirely possible that non-Communist elements released by such event from the dead traditional hand of present leadership, might rally to American assistance with a complementary possibility of the development of political, economic and spiritual resources, which might eventuate in stable non-Communist Government in central and south China.

In the above sense, it is entirely plausible from a Chinese standpoint that mediation would be desirable as the only alternative to Communist domination of all China. It can also be argued that it could be the lesser of probable evils from an American standpoint. A completely Communist-dominated China would unquestionably be hostile to the US. Some form of settlement, including the abandonment of Manchuria and perhaps part of north China to the Communists, for a period of time at least, could give us a friendly central and

south China in whose development and strengthening we could usefully participate and which could, at some future date, serve as a base for the recovery of the rest of China. Without that base we would have no point from which to prevent the Communist tide from flowing across the entire length and breadth of the Asiatic mainland.

Should mediation fail and there develop the return to the regionalism we anticipate, eventual Communist domination of all China would be made easier in that the task could be attacked piecemeal, one regional leader at a time. In this sense a mediated settlement might not necessarily be inimical to American interests.

It seems to us necessary, in any event, to face the fact that we may quite conceivably have a mediated settlement on our hands whether we like it or not. The situation is not yet beyond redemption and if we were to increase our aid to the National Government sufficiently to turn the balance in its favor, despite the bankruptcy of its present leadership, mediation might be avoided. If we do not do so, however, distasteful as it may be it would be folly not to be prepared to exploit mediation to our advantage should it take place.

STUART

893.00/3-848

*The Consul at Canton (Burke) to the Ambassador in China (Stuart)*⁴

No. 13

CANTON, March 8, 1948.

SIR: I have the honor to report that on February 27 and March 1, 1948, Attaché Joseph A. Yager of this Consulate General called on General Huang Chen-chiu, Deputy Director of the President's Canton Headquarters and concurrently commander of pacification forces in Kwangtung, to obtain General Huang's opinion on the progress of the current campaign against Communist guerrillas and bandits in this province.

During the first of the two interviews, General Huang devoted most of his time to an explanation of the problem of banditry as he sees it. He distinguished four kinds of bandits:

1. Ordinary bandits without political coloration, who are to be enrolled in the Peace Preservation Corps.
2. Incurable Communists, who are to be beheaded.
3. Bandits merely tainted with Communism, who are to be re-educated in special schools.
4. Bandits under Communist leaders, but not infected with Communist ideology. These receive what would appear to be the best treatment and are to be paroled in the custody of their village elders.

⁴ Copy transmitted to the Department by the Consul without covering despatch; received March 25.

It will be noted that the United Democratic Army does not appear as a separate category in the above. Huang regards the UDA as an ordinary group of non-political bandits, who enjoy using the fine title and the funds supplied by Li Chi-shen. In Huang's opinion, Li has no control over the UDA and subsidizes it (to an unspecified extent) only because of its propaganda value to himself. On Li's relations with the Communists, Huang expressed the opinion that Li and the Communists do not really cooperate, but merely use one another. All things considered, Huang does not believe that Li has any military strength in Kwangtung, either directly or indirectly.

During the interview of February 27, General Huang did not go into geographical detail on the state of law and order in Kwangtung, but limited himself to the assertion that progress was being made in the suppression of banditry. He stated that only on Hainan do the Communists control any large areas, although guerrillas are still a problem on Luichow Peninsula and along the North and East Rivers. Occasion was taken to request a second interview on March 1, when the French Consulate kindly loaned this office a Communist propaganda map purporting to show the status of "liberated areas" throughout China.* By showing General Huang this map, it was possible to obtain a somewhat more precise picture of the locality of bandit or guerrilla operations. General Huang agreed with the map's showing most of Hainan to be either Communist controlled or guerrilla infested. He did not agree that the same is true of the southern half of Luichow Peninsula, although he admitted a guerrilla problem exists in the northern half, and to a lesser extent in the mainland areas north of the peninsula. He disputed the wide extent of Communist influence shown for far western Kwangtung and for the southwestern corner of the Canton delta, although he granted a minor problem of banditry in those districts. His disagreement with the map on the North and East River valleys and on the area immediately north of Swatow was less violent, although again, he said that the map exaggerated. In brief, the extent of his disagreement with the Communist map was less than might have been expected. Especially notable was his failure to challenge the Communist claim that all bandit areas are under Communist influence (i. e., "liberated").

Respectfully yours,

GORDON L. BURKE

*This map, dated November 14, 1947, appears to have been published in Hong Kong by the Liberated Map Society, to have been prepared by Yang Jen-hang, to have been checked by Chiao Mu, and to have been sold either by Ching Pao of Hong Kong or by the Singapore branch of the New China Agency. [Footnote in the original.]

Memorandum of the Secretary of State's Press and Radio News Conference, Wednesday, March 10, 1948, 3:15 p .m.

[Extracts]

No. 10

WASHINGTON, March 10, 1948.

Q. Sir, in the House Foreign Affairs Committee hearing this morning, Congressman Fulton of Pennsylvania ⁵ said that there has never been a disavowal of American policy favoring a coalition government in China, to include the Communists. He said that apparently is still our policy. Is it?

A. Actually, what occurred was, the principals, meaning the head of Kuomintang, the head of the Chinese Central Government, Generalissimo Chiang Kai-shek, and the head of the Communist Party, Mao Tse-Tung, reached a partial agreement in September, 1945.⁶ Then in November, 1945, they reached a formal agreement for a meeting of what they called the PCC, Political Consultative Conference. Then there was another agreement in December, I think, the 17th of December. The date of the meeting of this conference and the delegates which were to include all political parties in China—the date for meeting was set as of January 10.

Now, I don't recall at the moment exactly the date on which the President, Mr. Truman, gave publicity to his statement of the policy of our Government,⁷ but it was a few days before I arrived in China, so I imagine it was about—

Q. It was in December.

A. I arrived there about two days before Christmas. I think it was about the 18th of December. I think the 17th was the agreement over there between these two principals, Mao Tse-Tung, and the head of the Chinese Government Chiang Kai-shek. And the basis of that was to bring all parties in—everybody into discussion to endeavor to settle this thing by political means.

Now, there has been no further announcement by our Government in regard to that matter. The terms, as I recall, were expressed in very broad language, that they must widen the basis and give representation on a broad basis—

Q. That still is our policy?

⁵ For statement by Congressman James G. Fulton, see *United States Foreign Policy for a Post-War Recovery Program*; Hearings before the Committee on Foreign Affairs, House of Representatives, 80th Cong., 2d sess., pt. 2, p. 2227.

⁶ See summary of conversations, October 11, 1945, *United States Relations With China*, p. 577.

⁷ See statement of December 15, 1945, Department of State *Bulletin*, December 16, 1945, p. 945, or *United States Relations With China*, p. 607.

A. That still stands the way it is right now, but it was not as you put the question to me, to force them to do this through any issues that have occurred. This is not for attribution because this is a long procedure and it would take me about an hour to go into it.

The issues that developed there were the breaking of agreements—who broke what, after they had agreed to something, had signed it and made an announcement on it. Then the issue began to be who was breaking the agreement. That was from about the last week in February that it began to be the issue. Here they had reached agreement on a political basis among themselves and then they had reached a military agreement about fighting, of which I was a party as the mediator, which was signed on January 10.⁸ Then after the meeting of the Political Consultative Conference, there was another agreement of which I was the mediator as to military adjustments and demobilization of the armies down to what was actually 50 divisions on the government side and 10 divisions on the Communist side, and certain things to be done.⁹

Then the next stage was the National Assembly for the adoption of the Constitution on May 5. Between the signing of that agreement which I think was about the end of February—maybe the first few days of March, and the military organization people, the PCC—between that and the postponement of the meeting of the Assembly by the Generalissimo—that was a unilateral action there—was where the dispute was over “who was doing what” took place.

Q. Sir, in view of the fact that where Communists form a coalition government with other governments in Europe which would certainly result as in Czechoslovakia, why is it that we support the coalition in China?

A. I think I am going to answer this for background only—not for attribution.

I think the most serious difficulty that was run into in China refers to that particular thing—coalition, but not, I think, probably for the reason that you are attaching to it. That is a convenient expression but it has no practical application, I felt, to a government which is not a solid body. To explain what I mean, the British could readily form a coalition government, during the war period, the great emergency period, because they had a long solid foundation of governmental procedure of the two-party system or more parties, maybe. We could form a coalition government. We did in a small way in the last war. The Secretary of the Navy and the Secretary of the

⁸ *Foreign Relations*, 1946, vol. ix, p. 125.

⁹ For the agreement signed February 25, 1946, see *ibid.*, p. 295.

Army¹⁰ were both Republicans and to that extent, that was done out of political considerations. But it is a vastly different thing to start off in a great experiment of a two or more party system of government in breaking away from a single party on a coalition basis, because to them—to those in China, that meant a Cabinet representing various groups, notably the government group and the Communist group.

Well, as the matter would be a beginning, the first breaking away from the one-party government, it did not seem to me a practical basis for genuine teamwork with officials who had so little in common.

Now, if a coalition could have been interpreted to mean all parties in the Assembly and one party, we will say, in power, that would have been quite a different matter. There was a State Council. It may have been a practical proposition to have the State Council—I think possibly it was under the conditions—to have had a State Council of these various representations but when it came to the working agencies of the Government, under the Executive Yuan which includes quite a number of branches and several other independent branches with their ministers, there is a beginning in the development beyond a one-party system. I don't think a coalition government was a practical proposition.

Here, for instance, in our own experience, not in my own personally, because such a condition does not exist at the present time, but we have had lots of instances where a division among Cabinet members of the same party have made it a very difficult procedure to go ahead with.

Now, when you take such great differences as exist between the Communist Party and the Kuomintang and you bring representatives of both into it as active heads of the various agencies, I thought that was an impractical proposition. They, in their discussions, did not recognize at all what is commonplace to us, the fact that the party out of power struggles in every way to get in power, and that the fact that all parties have their representation in the Assembly, in the Parliament or in the Congress, as it is here, gives the opportunity to exercise a certain influence and as you increase your hold in offices, you finally get control of the government. That was very little understood and they felt unless they had these various individuals in Cabinet seats, that their desires were not properly satisfied. My own feeling, as I have said, was that in an entirely new government, such procedure was not a practical proposition. It was only in a period of great emergency for a government which had a very firm foundation in regard to procedures would such an affair work.

¹⁰ Frank Knox and Henry L. Stimson, respectively.

Q. Mr. Secretary, I want to make sure that I understand your earlier record correctly as stated, that our policy still favors broadening the base of the Chinese Government.

A. To broaden the base of the Chinese Government?

Q. Would that include Chinese Communists in any respect in that government?

A. The problem now, of course, is that the Communists are engaged in open rebellion against the Government. How that would be handled in the end is a matter for the Chinese Government to decide and not for us to dictate. The earlier situation was one where first they got all fighting stopped and they were in conference and reached political decisions. Then the breakup occurred when it came to implementation of those decisions in which each side accused the other and in which each side, I felt, was at fault. But the trouble was always who started what. I got an agreement—I am talking not for attribution—an agreement on the cessation of propaganda. I would have it on one side and then the other side would add something different in retaliation. That was the policy. For a while I stopped all of it. They were seeking a political decision. Now, it is open rebellion with a declared purpose.

Memorandum of President Truman's Press and Radio News Conference

[Extract]

No. 6

[WASHINGTON,] March 11, 1948—4 p. m.

China

Q. Mr. President, on the subject of the United States policy toward China, is it still the policy of this Government to favor the inclusion of Chinese Communists in the Chinese Government?

A. The President said that he never knew it was ever the policy of this Government; that if it was, it was news to him. He further said that we have always been in friendly relations with the recognized Government of China, and that we have been trying to help the recognized Government of China to help maintain the peace in the Far East.

Q. Mr. President, returning to the Chinese question, you did make a statement in December 1945 advocating the broadening of the base of the Chinese Government?

A. The President said that he still stuck to that statement; that that statement was just as good as it was then.

Q. Mr. President, you mean the broadening of the base includes taking the Chinese Communists into the Government of China?

A. The President said that it did not.

Q. Mr. President, when the December 1945 statement was made, did it then include the possibility of including Communists?

A. The President said that it did not include Communists at all.

Q. Mr. President, along that line, can you amplify now what was the President's purpose in sending Secretary Marshall to China?

A. The President said that it was in an endeavor to assist the Chiang Kai-shek Government to meet the situation with which it was confronted.

Q. Mr. President, will the Wedemeyer report ¹¹ be released?

A. The President said that it would not.

Q. Mr. President, Secretary Marshall, just before becoming Secretary of State, did recommend broadening the base so that the Communists would be admitted?

A. The President said that he did not think Secretary Marshall would take any Communists into the Chinese Government; that we did not want any Communists in the Government of China or anywhere else, if we could help it.

Q. Mr. President, it may be that the correspondent is using the word "Communists" in an entirely different sense than what we are talking about?

A. The President replied that that was possible.

Q. Mr. President, can you tell us in what sense you are using it?

A. The President suggested that the correspondent tell him in what sense he (the correspondent) was using it, and he (the President) would tell the correspondent in what sense he was using it.

Q. Mr. President, I believe a great many people have felt that the broadening of the base meant taking in Communists and Chinese Liberals?

A. The President said that Chinese Liberals was what they were talking about; that there was a very great difference between the Liberal element in China and the Communist element in China; that Communists were people who believed in Government from the top—a totalitarian state. He further stated that there were a great many Liberals in China; that he had talked with one the day before yesterday; that they were educated in this country; that those were the people in which we were interested principally, and that we would like to see them included in the Chinese Government.

¹¹ Lt. Gen. Albert C. Wedemeyer, President Truman's Personal Representative on a special mission in China, July-August, 1947. For his report of September 19, 1947, see *United States Relations With China*, pp. 764-814.

Q. Mr. President, the distinction between a Liberal and a Communist would also apply in this country?

A. The President said that that was a very good distinction.

Press Release Issued by the Department of State

No. 192

[WASHINGTON,] March 11, 1948.

In view of misunderstandings that have arisen concerning the Secretary's statements about China at his March 10 press conference, it is pointed out that the Secretary referred to President Truman's statement of December 15, 1945. That statement expressed the belief of the United States "that peace, unity and democratic reform in China will be furthered if the basis of this Government (China's) is broadened to include other political elements in the country". The Secretary said that this statement still stands. When asked specifically whether broadening the base of the Chinese Government meant we favored the inclusion of the Chinese Communist Party, he replied that the Communists were now in open rebellion against the Government and that this matter (the determination of whether the Communists should be included in the Chinese Government) was for the Chinese Government to decide, not for the United States Government to dictate.

893.00/3-1148: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, March 11, 1948—5 p. m.

[Received March 12—2:43 p. m.]

124. Two Communist columns moving northwards from Mukden-Hsinmin areas attacking Ssuping defended by two regiments Government Seventy-first Army. No effort reinforce Government garrison. Military observers concede fall Ssuping [and] Communist capture Kaiyuan (mytel 147 to Embassy, 107 to Department ¹²) and move capture Ssuping seen as definite Communist attempt consolidate rear area positions. Main Government reason holding Changchun has been prevent Communists obtaining railroad net which could supply all Communist operations south Changchun to points within few miles Mukden and Hsinmin and extending east and west sufficient width supply Communist forces making flanking movement either these localities. Government now moving two divisions Kirin

¹² March 1, not printed.

to Changchun, leaving only one very poor local division 7,000 men hold Kirin and nearby Hsiaofengman Dam. Communist capture Ssuning will complete isolation both Changchun and Kirin. Changchun has ammunition supply for 20 days sustained fighting only. If Communists so desire now appears they can take Changchun, Kirin and Hsiaofengman Dam and hydroelectric plant with little difficulty. Wei allegedly issued orders Hsiaofengman Dam to be destroyed if capture by Communists imminent. This information not confirmed thus far but if true one of main sources electric power for rehabilitation northeast will be destroyed.

Communists apparently realizing that military operation northeast has now passed stage were guerilla tactics supplied from countryside with food and with horse cart supplied ammunition adequate meet military demands. Consequently all present Communist moves appear aimed taking localities which will permit extensive rail network supply their operations. Already are repairing rail lines and line now open from Dairen to Tashihchiao and will be opened Tashihchiao-Haicheng within several days. Repairs will then be rushed open line northwards as far as Anshan. Communists have rail lines in operation Tsitsihar southward to Liaoyuan and from Meihoukou southwards to the north Korean border. Communists have not been destroying rail lines east and west of Ssuning and when Ssuning captured they will have rail line extending from Tsitsihar to north Korea border requiring only minor repairs to become operational. To supply their units Hsinmin area, Communists using railway from Liaoyuan to Tungliao and pushing repair line southwards from Tungliao to Changwu and Hsinlitun. Communist base supply depot for Mukden-Hsinmin areas will probably be Liaoyuan.

Competent military observers believe entire Communists rail network will be operational by July at latest.

Importance this rail network readily apparent. It affords Communists flexibility in attack on Mukden area and, if they succeed capturing Mukden and Hsinmin rail supply line, they will have good rail network support future operations against north China.

Best present hope Government thwart effective use this rail bridge over Tungliao River at Sanchiangkou, southeast Liaoyuan.

Soviet cognizance Communist plans and progress towards reconstruction rail network, evidenced by current statements being made Soviet Vice Consul Seregin from Peiping temporarily in Mukden. Seregin has told Mukden Russians that their status will soon improve, there will be great opportunities for Russian railroad workers and that for those who desire repatriation there will soon be easy short route by which repatriation may be effected.

Communists dismantling cotton mill Liaoyuang and transporting machinery overland to Haicheng whence it will be rail-shipped southwards toward Dairen. Vital machinery Anshan steel mill also being removed so that, should Government forces succeed recapture Anshan, steel mills will be useless.

With recent Communist successes local Russians, encouraged by Seregin, becoming optimistic their future. Any doubt existence Chinese Communist and Russian present cooperation and plans for continued cooperation and trade being rapidly dissipated by statements being made by Seregin in Mukden.

Future northeast now depending on results race between Government and Communists with common lines the goal. Many competent observers believe if Government does not succeed opening Chinchow-Mukden rail line within next several weeks or bringing sufficient supplies into northeast by air to permit a Government drive to seize reconstructed Communist rail lines, northeast will be lost in spite any future Government efforts retake because Communists will possess supply routes which they have not had heretofore in war against Government.

Sent Nanking 174, repeated Department 124.

WARD

893.00/3-848

*Memorandum by the Chief of the Division of Chinese Affairs (Ringwalt) to the Director of the Office of Far Eastern Affairs (Butterworth)*¹³

[WASHINGTON,] March 12, 1948.

Subject: Possibility of Soviet Mediation in China.

The Embassy's analysis, in its telegram no. 432 of March 8 (copy attached ¹⁴), of the question of Soviet mediation in China is a well reasoned presentation. CA has the following additional comment to make on this subject:

The Soviet mediation offer may have been made in anticipation of increased U. S. aid to the Chinese Government. The USSR may have hoped, for propaganda purposes, thus to place the USSR in the position of working for peace in China while the US was encouraging civil war. The offer may also have been based on a Soviet desire to forestall the extension of US aid which might enable the Chinese Government to meet the Chinese Communists.

The Embassy states: "Failing American economic aid on an impossibly large scale, failing active American military aid and failing

¹³ Copy submitted to the Secretary of State who initialed the covering memorandum of March 15, not printed.

¹⁴ *Ante*, p. 133.

competent Chinese leadership and planning, there may be revolt within the ranks of the Kmt and acceptance of the Soviet offer to mediate." Somewhat paradoxically, the Embassy also states: "The situation is not yet beyond redemption and if we were to increase our aid to the National Government sufficiently, to turn the balance in its favor, despite the bankruptcy of its present leadership, mediation might be avoided."

One important factor must be considered in connection with the US attitude toward Soviet mediation. If we advise the Chinese Government against accepting such mediation, we should be open to charges of responsibility on two counts: (1) We should then be held responsible by the Chinese Government for the extension of the military and economic aid necessary to ensure a National Government victory over the Chinese Communists. (2) Our opposition to mediation in China would be certain to leak out in China and we should be held responsible in the eyes of many Chinese for the continuation of civil war. Communist propaganda would portray the USSR as a peace-loving nation and the US as a "war-monger", themes which would probably find ready acceptance in China.

We believe that the US should not place itself at this juncture in the position of opposing or favoring Soviet mediation or a compromise that might be reached between the Chinese Government and the Chinese Communists. To do so would place on us the responsibility for the consequences of rejecting or accepting mediation or compromise.

In this connection attention should be called to another aspect related to Soviet mediation. The US has become involved in China to a considerable extent as a result of the war against Japan and the events arising out of that war. Our mediation effort was merely another phase of the attempt to bring peace and stability to China and to help that nation become a stabilizing influence in the Far East. This involvement has led to charges of interference in Chinese internal affairs and to the growth of anti-American feeling both within the Government and in non-Communist circles outside the Government. The Chinese have traditionally turned against foreign powers which became involved in Chinese internal affairs. Soviet attempts at mediation might thus lead to Soviet involvement and Chinese resentment of undesirable consequences growing out of such mediation might accrue to the USSR.

A[RTHUR] R. R[INGWALT]

893.00/3-1248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 12, 1948.

[Received March 13—7:48 a. m.]

454. China Social and Economic Research Society, established in Peiping on March 1st, is composed of liberal elements generally opposed to present policies of Government. Members of Executive Committee are Chou Ping-lin, Chien Chang-chao, Wu Ching-chiao, Sun Yueh-chi, Hsiao Chien, Pan Kuang-tan, Liu Ta-chung, Chien Tuan-sheng, Tao Meng-huo, Wang Shu-chi, Lou Pang-yen, while Supervisory Committee includes Shao Li-tzu, Wu Yun-chu, and Tung Kuan-hsien. Information from usually reliable source recently in Peiping indicates that Hu Shih,¹⁵ although not an official member, is motivating factor behind organization. Source further stated he could name 500 men in Nanking who were sympathetic to reform program advocated by society. Specifically he mentioned Hollington Tong, director Government information office, Cheng Chieh-min, Vice Minister National Defense, Tang Tsung, director general police, and Hsuan Tieh-wu, Shanghai-Woosung garrison commander.

We feel it highly possible that this group may evolve into political party which should be able to exert influence in any future reform within present Government. We are also of opinion that this group may well represent organized support for vice presidential candidacy for General Li Tsung-jen. Despatch follows¹⁶ giving detailed information on above mentioned persons and an analysis of the society's present and future positions in the political scene.

Sent Department 454, Peiping 52.

STUART

893.00/3-1248 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, March 12, 1948—6 p. m.

[Received March 15—10:23 a. m.]

124. Strong supporter and intimate of Li Tsung-jen, Kan Chieh-hou,¹⁷ yesterday gave me following analysis of situation re General Li's candidacy for Vice President. He said candidacy was supported by both liberal academic groups and Chinese Communists but for

¹⁵ Chancellor of the National Peking University, former Ambassador to the United States.

¹⁶ No. 72, April 26, not printed.

¹⁷ Political adviser to Gen. Li Tsung-jen.

different reasons. Liberals see in Li's accession to power (1) opportunity for performance of needed reforms with at least some reduction of corruption, (2) bringing of improvement to morale of officers and troops under system where fair treatment is given all and (3) obtaining after effecting of improvement in situation such American sympathy as would lead substantial loans (Kan mentioned figure 3 billions) for major reconstruction in China. That is optimistic view. Liberals nevertheless envisage possibility continued deterioration for all of Li's getting Vice President, in which event when situation got bad enough it would be suggested to Generalissimo he retire for a while and let liberal-minded man like Li take over (reContel 114, March 5).

Communists would be found in sympathy with Li's candidacy on basis other reasoning as follows: (1) Communists' foreign policy (by implication directed from general Communist organs) of avoiding actions which would lead to direct conflict between U. S. A. and U. S. S. R. and are undesirous of giving appearance of establishing Communist dictatorship in China as considered invite risk American military intervention, (2) two or three years still would be required for Communists to win by force and Communists desirous avoiding extended warfare and (3) Communists' suggestion they desirous setting up coalition government is effective propaganda to convince liberal opposition [that] Communist aim is not truly establish Communist dictatorship.

Informant stated Northeastern general just returned from Nanking (Ma Chan-shan?) brought back unconfirmed report he picked up in Shanghai that letter signed by Mme. Sun Yat-sen, Li Chi-shen and Feng Yu-hsiang¹⁸ and others had been sent Generalissimo advising he turn Government to Li Tsung-jen. Generalissimo, upon receipt this communication, is reported to have promptly issued orders for suppression all information regarding it. Informant pointed out that, if report was true, this would naturally injure Li's candidacy in eyes Generalissimo.

Same informant stated further Yu Yu-jen was supported by C-C Clique,¹⁹ that Yu would probably get Generalissimo's nod of approval at time party meeting March 20, that party machine leaders will argue that with military man as president, there should be civilian such as Yu Yu-jen for vice president "but if you want a military man, there is our party candidate Cheng Chien".²⁰ He stated finally, however, it was possible public opinion might flare up to ask at this juncture why put into vice presidency "a dying man" likely who, said informant,

¹⁸ Marshal Feng was expelled from the Kuomintang on January 8.

¹⁹ Faction of the Kuomintang led by the brothers, Chen Li-fu and Chen Kuo-fu.

²⁰ Director of Generalissimo Chiang's Headquarters at Wuhan.

has never in 20 years of service in Control Yuan found it fitting to take action against anybody more important than petty crooks.

Another source informed me earlier in week Li now has support Political Science Group, Socialist Party, Kwangsi and Kwangtung (Soong presumably excepted) and Moslems. Last named group presumably includes Ma Hung-kuei ²¹ and other Northwestern generals.

Sent Department as 124; repeated Nanking as 186.

CLUBB

893.00/3-1348 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, March 13, 1948—1 p. m.

[Received March 13—4: 16 a. m.]

590. Although Ministry of Information organ *China Daily Tribune* carries Truman clarification of China policy ²² on inside page, other English language press gives full treatment under banner headline. First editorial comment appears in *China Press* of H. H. Kung.²³ It expresses gratification that Truman has seen fit to alter impression given by Marshall on question of coalition government. "A coalition government consisting of political parties seeking to achieve and perpetuate democracy is one thing, but coalition government in which one of parties openly seeks to overthrow multi-party rule in favor of one party dictatorship is quite another matter. There is certainly the greatest need in China for a process which will lead to broadening of government and establishment of true constitutional rule. It is to be regretted that liberals and intelligentsia, while openly favoring more progressive government, have not been able to show type of leadership required of them. It is all very well to criticize government—any government. But it is another thing to take over responsibility of government and prevent type of dictatorship which Communists aim in creating in this and every other country. There is no doubt that while in China Marshall was working for type of coalition which he and Truman have now seen as being neither necessary nor desirable. There is also little doubt that for a long period American diplomats and officials in country had mistaken conception that any democratic government must be one wherein Communists should enjoy responsibilities little short of those granted major Kmt Party and far greater than those of any minority party. Those who signed

²¹ Governor of Ninghsia and Deputy Director of Generalissimo Chiang Kai-shek's Headquarters in the Northwest.

²² See President Truman's press and radio news conference of March 11. p. 141.

²³ Adviser to President Chiang Kai-shek and former Chinese Minister of Finance.

Yalta Agreement²⁴ and then forced it upon China have learned an expensive and shameful lesson. True, it was hoped that this agreement would solve postwar problems rather than create new ones. But the results have proved that where Communists get a finger they are not satisfied until they have seized whole hand, then gained control of entire body politic. Chinese Government and those who are friendly to it should attempt by persuasion and encouragement to bring more minority party and nonpartisan leaders into state. There should be attempt to line up all democratic forces into solid anti-Communist chain devoted to creating true constitutional system. There have already been too many Mikolajczyk's²⁵ and Masaryk's²⁶ who have been forced into a 'coalition' with Communists, then left to fight losing battle. China does not want and does not need an internal Yalta."

Sent Nanking; repeated Department.

CABOT

893.00/3-1348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 13, 1948—5 p. m.

[Received March 13—7:36 a. m.]

463. Chinese newspaperwoman, regarded as reliable, informs us that in recent unofficial conversations with Shanghai Communist representatives on subject coalition government, they stated that they would not negotiate with any Chinese government led by Generalissimo. On March 11 Lo Lung-chi²⁷ informed officer of Embassy to same effect, namely, that Communists have refused to negotiate with any government in which Gimo and certain of his closest supporters participate. Lo also stated categorically that Gimo now favors negotiating settlement with Communists and implied that Gimo had sanctioned informal exploratory advances by certain unnamed members of Government for this purpose. Memo of conversation with Lo Lung-chi this subject forwarded under cover Embdes 124, March 12.²⁸

STUART

²⁴ Signed February 11, 1945, by President Roosevelt, British Prime Minister Winston S. Churchill, and Marshal I. V. Stalin of the Soviet Union; *Foreign Relations*, The Conferences at Malta and Yalta, 1945, p. 984.

²⁵ Stanisław Mikolajczyk, Polish political leader.

²⁶ Jan Masaryk, Czechoslovak Minister for Foreign Affairs.

²⁷ Leader of the former Democratic League.

²⁸ Not printed.

893.00/3-1548

Memorandum by the Assistant Chief of the Division of Chinese Affairs (Sprouse) to the Director of the Office of Far Eastern Affairs (Butterworth)

[WASHINGTON,] March 15, 1948.

It is believed that the information set forth below regarding certain aspects of U. S. policy toward China will be of interest to you.

At the time of my transfer from the Embassy at Chungking to the Consulate General at Kunming in June 1944, no action had been taken by the U. S. Government, in so far as I knew, to suggest to the Chinese Government that it admit Chinese Communists into the Government. The relation of the U. S. Government to the problem of Communist participation in the Chinese Government has always been a matter of some interest to me. (In this connection, it must not be overlooked that the Chinese Government—that is, the Kuomintang—has frequently stated that the Chinese Communist problem was a political problem to be settled by political means and that the Kuomintang's aim was to end the period of political tutelage and establish constitutional government in which all Chinese groups would be represented.) Considerable light has now been thrown on this question by remarks made to me on March 7, 1948 by Mr. Clarence E. Gauss, American Ambassador to China during the period 1941-44. The following is the gist of his remarks:

The U. S. Government had made some effort in the military field in 1944 to bring about unity in China by having General Stilwell²⁹ placed in command of the Chinese armed forces, but no efforts had been made along these lines in the political field. Generalissimo Chiang Kai-shek summoned Mr. Gauss (I gathered the impression that this occurred in July or August 1944) to his residence and during a long three-hour harangue intimated that Mr. Gauss was not keeping the American Government adequately informed of the situation in China. Mr. Gauss took the opportunity to speak with equal frankness to the Generalissimo and told him of the increasing criticism of and opposition to the National Government on the part of non-Communist groups in China and of the generally lowered prestige of the Government among the Chinese people. He also explained that provincial dissident elements had even approached U. S. officials with a request for military aid but that we had rejected such overtures and had made clear that we dealt only with the National Government. Mr. Gauss then suggested—pointing out that he was doing so entirely on his own responsibility and not on the instructions of his Government—that

²⁹ Lt. Gen. Joseph W. Stilwell, Commanding General, U. S. Army Forces, China-Burma-India, and Generalissimo Chiang's Joint (Allied) Chief of Staff for China Theater.

the Generalissimo might find it helpful to appoint two representatives from each of the dissident groups, such as the various provincial elements and the Chinese Communists, to sit on the Supreme National Defense Council (a Kuomintang organ). The Generalissimo, he continued, should then explain to them his problems and the difficulties under which the Government labored, listen to their criticism, and call on them to support a united war effort against Japan. The Generalissimo expressed his interest in and appreciation of the suggestion and indicated that he might take such action as a means of bringing about a united war effort against Japan. Mr. Gauss reported this action to the Department of State for the information of the President and about 10 days later was informed that his action had the approval of the U. S. Government.³⁰

Shortly after these events General Hurley³¹ arrived in China as the President's Special Representative. Following some talks with the Chinese Government leaders and Mr. Gauss, General Hurley informed Mr. Gauss that he was going to Yen-an to see the Chinese Communist leaders³² and that he believed that he could settle differences between the rival Chinese factions. Mr. Gauss was dubious of such procedure since we had not previously dealt with the Chinese Communists on political matters and asked General Hurley whether Washington knew of his intentions. General Hurley replied that he had the approval of the White House for his proposed action. General Hurley also told Mr. Gauss that he had the Generalissimo's proposals for a settlement in his pocket and that he was certain of success. This was thus the first time that the U. S. Government injected itself into the political picture in China and General Hurley was the first to deal with the Chinese Communists on political matters.

The foregoing is of considerable interest as indicating that the impetus for "coalition government" came not from the Department of State or from the Embassy but rather from General Hurley and the President.

893.00/3-1548 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, March 15, 1948—4 p. m.
[Received March 16—8:22 a. m.]

129. Government military sources admit capture Ssuning by Communists. Main Communist forces formerly Mukden-Hsinmin areas,

³⁰ See telegram of August 31, 1944, from the Ambassador in China, *United States Relations With China*, p. 561, and telegram No. 1196, September 9, 1944, to the Ambassador in China, *Foreign Relations*, 1944, vol. vi, p. 567.

³¹ Maj. Gen. Patrick J. Hurley.

³² See *Foreign Relations*, 1944, vol. vi, pp. 513 ff., *passim*.

which Government believed were being moved northward for regrouping and resupplying in Liaoyuan and Hsian areas, were diverted for attack on Ssuping and are now being moved northwards for possible attack on Changchun.

Govt sources Mukden state all (even 7,000 mentioned mytel 124 Dept, 174 Nanking March 1 [11]) Govt troops Kirin and Hsiaofengman Dam area withdrawn to Changchun. Kirin and Hsiaofengman now completely undefended by Govt. Confusion exists even among highest Govt military sources here as to disposition Hsiaofengman. Conflicting reports received that: (1) dam destroyed by Govt, (2) neither dam nor power units destroyed, (3) power units destroyed. Best sources information indicate neither dam nor power plants destroyed as yet and will not be unless Communists move occupy dam, in which event dam will be left intact but power plant destroyed.

Govt forces driving eastwards from Mukden and Fushun area established communications some days ago with Government garrison holding Penhsi, which had been surrounded by Communists period several weeks. Highway traffic Mukden Penhsi reestablished and one cart train food supplies already dispatched Penhsi.

Sent Embassy as 181; repeated Dept as 129.

WARD

893.00/3-1748: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 17, 1948—3 p. m.

[Received March 18—5:47 a. m.]

474. Communists continue to hold initiative and we regard defeats of Government armies during past week as indication Government military position gravely critical, with general military collapse in north becoming increasingly possible. In Manchuria, loss Kirin and Ssupinkai frees additional Communist forces for assault Mukden. In Shantung loss Tsinan highly possible. In Shensi[-Honan], loss Loyang likely and Government forces available for defense Sian considered inadequate. Shansi is faced with famine and in Hopei Communists threaten cut Pingsui railroad north Kalgan, isolating Government garrisons along western sector of line. Government forces are entirely committed to garrison duties and there are no visible reserves for relief of areas under attack. In most areas matériel shortages further weaken Government capabilities to continue defense. Troop attrition proceeds at rapid rate. Government has no time to train replacements for battle losses and new troops are reach-

ing field commanders virtually untrained. While certain individual field commanders seem to have plans to stabilize situation in areas under their control for brief periods, they lack matériel to implement these plans. Also present Government leadership has apparently no overall plan organize and commit its few remaining resources in any effective manner.

In past week civil and military officials in Nanking and in the field are more uniformly and deeply pessimistic and depressed than we have hitherto seen them. In past they have been sustained by hope that effective American military assistance would be forthcoming. At present they are increasingly of opinion that military aid will likely be of such nature, and so hedged with conditions as to reform which cannot be met in present exigency, that it will not necessarily be efficacious. Thus, deprived of this encouragement, they tend increasingly in final analysis, to accept loss of civil war as probably inevitable.

We have previously reported, balance in military situation is rapidly turning in favor Communists and any large scale Government defeat can lead to general military collapse. We do not believe, however, that Government's military situation is, as yet, entirely hopeless. Government still has resources in matériel and manpower which it has not succeeded in organizing and committing to the war effort. Its present leadership apparently lacks the ability to do so. We remain of the opinion, however, that our assistance in the organization of these resources plus our contribution of matériel to supplement them might still enable the Government to maintain itself. We remain also of the opinion, however, that assistance in terms of matériel alone can at most effect only a slight delay in the Government's military collapse. We also believe that deterioration of the Government's military position is accelerating and that the time when any assistance can be effective is rapidly running out. If Manchuria goes there is little hope of saving north China which is already riddled with Communist forces.

STUART

893.00/3-1748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 17, 1948—4 p. m.
[Received March 18—5:25 a. m.]

475. Political and military disintegration is now rapidly approaching the long expected climax. The most spectacular evidence of this is the breakdown of military morale seen not only in lethargy and passive unconcern, but also in refusal to obey orders or even to act in

defiance of orders given. Chinese describe this latter phenomenon as deliberately suicidal in terms of national interest. Civil and military officials, both high and low, are grafting or are planning their escape. In the highest circles, Generalissimo listens only to such civilians as Tai Chi-tao,³³ the Chen brothers,³⁴ and T. V. Soong, but Chen Kuo-fu is now in disfavor and his brother is less in favor than hitherto. Relations between Generalissimo and Tai are not cordial and T. V. Soong is concentrating on his job in South China. Among many of those hitherto most loyal to Generalissimo, there are definite signs of discontent with his policy. Nor are there any indications of any intention on his part to make the requisite radical changes. In their despair, all groups blame America for urging structural changes, many of which they claim have been undertaken, or reforms which they feel they themselves would carry out if their immediate internal problems were not so acute, while America still delays the long promised aid upon which the survival of democratic institutions depends. At the same time they are proposing that some one be sent to Washington to plead for immediate and adequate assistance. Such names as those of T. V. Soong and Yu Ta-wei³⁵ have been mentioned to me of late for this purpose.

There is a growing tendency to postpone the National Assembly due to convene March 29. Tai Chi-tao supports postponement on the ground that in their efforts to settle controversies over the election of delegates they are using authoritarian methods not unlike the Communists whom they are fighting. Others support postponement on the ground of present inexpediency, or because a suitable name for Vice President has not emerged. Vice President candidates being discussed are Yu Yu-jen, Sun Fo,³⁶ Ho Ying-chin,³⁷ Shang Chen,³⁸ Fu Tso-yi and Li Tsung-jen. Li is opposed by the inner circles around the Generalissimo because of factional bickering and as being too strong a personality to be willing to leave the Generalissimo in complete power. Some urge that the Vice President should be a civilian. Present indications are that Generalissimo will support Yu Yu-jen with all that implies.

Various rather inconsequential attempts are being made among liberals to organize or to issue appeals, but the controlled press and fear of high-handed repression tend to nullify their efforts. There

³³ Tai Chuan-hsien, President of the Chinese Examination Yuan.

³⁴ Chen Li-fu and Chen Kuo-fu.

³⁵ Chinese Minister of Communications.

³⁶ President of the Chinese Legislative Yuan.

³⁷ Chief delegate to the United Nations Military Staff Committee and chief of the Chinese Military Mission in the United States.

³⁸ Head of the Chinese Mission in Japan and Chinese representative on the Allied Council for Japan.

is, however, a nucleus within the party leadership which is planning something of the sort with some hope of results. I have been asked to advocate their cause with Generalissimo, but have replied that I have repeatedly suggested to Generalissimo, without success, that he himself lead such a movement, and that while I still think his endorsement is not entirely impossible, I could perhaps be of more influence in supporting the general idea after their movement had attained substantial proportions. I have added that it seemed to me to be of primary importance that the liberals ensure freedom of publication in party papers for their proposed manifesto.

The long expected climax is rapidly approaching, and although we cannot see the Generalissimo voluntarily relinquishing his power almost anything can happen. There is most definitely accelerated demoralization, dismay and frantic search to save something from the wreckage, coupled with a psychopathic inability to do anything.

STUART

893.01/3-1848: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 18, 1948—6 p. m.

[Received March 19—5:50 a. m.]

483. Qualified usually reliable Chinese source in position to acquire following information informed us on March 17 that CC Clique has lost influence with Generalissimo, who is now turning toward Political Science Group; that Generalissimo thinks General Li Tsung-jen most qualified candidate for Vice Presidency; that Political Science Group is now dissatisfied with Generalissimo's lack of leadership in critical situation and desires see him become head of Executive Yuan with Sun Fo, whom they feel they could control, as President; that, if Generalissimo does not acquiesce in this arrangement or provide leadership required in present exigency, Political Science Group contemplates *coup d'état* to replace him; and, that Hu Shih, on arrival Nanking next week, will again be offered Ambassadorship to Washington and will accept.

We consider this information probably true. Other sources have reported rumors of *coup d'état* and there is evidence of breach between CC Clique and Generalissimo. However, this is first report that Generalissimo will support Li Tsung-jen as Vice President. If this is so, it is probably indicative that Generalissimo is attempting to adjust difference with Political Science Group and reach compromise with them to avoid complete removal from political scene. Generalissimo is almost certainly aware of growing sentiment against

him in Government circles and is probably sufficiently adroit at political manoeuvring to insure his retaining large amount authority, at least to point where he can continue to obstruct policies he does not favor. Thus, we consider *coup d'état* as possible, but unlikely. In any event, we anticipate that some Government reorganization in near future is probable and that such reorganization will result in more effective leadership with more positive policies than is now the case.

STUART

893.00/3-1848

The Minister-Counselor of Embassy in China (Clark) to the Director of the Office of Far Eastern Affairs (Butterworth)

NANKING, March 18, 1948.

DEAR WALT: At the time our last letter ³⁹ was written, the Generalissimo had secluded himself at Kuling for a winter vacation. His absence from the helm of the ship of state lasted more than three weeks, and through this period he saw no one of consequence in his government. As may be imagined, this excursion in ergophobia gave rise to the wildest rumors, not the least sensational of which was that he had become convinced of his incompetency in governing, and so was selecting his successor. However, better informed and more knowledgeable persons agreed that he had retired to consult with himself as to what measures might be effective in the present exigency, and that on his return to the capital he either would or would not promulgate radical changes in policy. If the latter were true, it was held this could be taken as an indication that the Generalissimo is satisfied that his present policies are adequate to the task at hand.

Over two weeks have elapsed since the Generalissimo's return. In this period he has made no notable policy statements, nor have we any indication that any are contemplated. He has exhorted his officials to improve and purify their administration of public affairs, and he has informed the nation of the government's intention to defend Manchuria come what may, but he has in no wise indicated that he has any new solution for the tasks confronting him. If this be so, and we are of the belief that it is so, we take it as an indication that the Government has no new solution, and so we can see no reason to hope for a halt in the processes of decay and disintegration which have characterized the China scene these past several years.

We have not noted, since our last letter, any particularly spectacular examples of further disintegration in the Government's over-all position. However, the decline continues, and there is little doubt but

³⁹ February 17, 1948, *United States Relations with China*, p. 901.

what the Government will soon be faced with new crises. What is, perhaps, the salient characteristic of the Government's present situation is the fact while certain of its leaders have excellent and feasible plans for solving certain specific problems, there does not exist in the Government a complete and dynamic leadership to integrate such plans, implement them and carry them out. For example, Gen. Wei Li-huang, the Government commander in Manchuria, has an adequate plan for the continued defense of the Mukden area, yet the Government shows no signs of meeting Wei's fairly modest requirements. At the same time, Manchurian leaders have advised the Government that much support could be won from the Communists in the Northeast if the people of Manchuria were given more responsibility and authority in the management of their own affairs, under their own leaders. By way of reply, the Government offered honorary titles to the Manchurian leaders, announced its intention to hold Manchuria at all costs, and seemingly paid no heed to this advice. Similar examples of the attitude of the Government to the problems of China proper could be cited at great length, an attitude expressed in a policy of passive resignation to the many vicissitudes confronting it.

As we have reported before, the people of China, both officials and ordinary citizens regard with increasing disfavor this government which does not govern, or at most governs through inertia. Bitter criticism of its leadership is commonly expressed. The Generalissimo, once regarded as the unfortunate victim of incompetent advisors, is now viewed as personally responsible for his country's ills and feeling runs strong that any great prolongation of his leadership must certainly involve the entire country in ruin. In this situation many officials, particularly those outside the capital, believe that the time has come when they must look to their own interests as a matter of self-preservation, and are so proceeding to develop a direct and personal control in the regions where they are assigned. We have been informed that Dr. T. V. Soong now seeks to increase his military resources in Kwangtung, and to integrate Hunan, Kwangsi, Kiangsi, and Fukien into his province. In Hopei and Chahar there is some evidence to suggest that Gen. Fu Tso-yi may already have attained some degree of independence from Nanking control in the military sphere. Likewise, the Muhammadan leaders in Ninghsia show signs of questioning the authority of the Central Government, and in Shantung the provincial governor, Gen. Wang Yao-wu, has been openly critical of Government policies and has evinced a desire to seek American aid on a semi-independent basis. From these and similar indications, we conclude that local leaders in several parts of the country are, from lack of faith in the Central Government to continue to perform its functions, beginning to exhibit particularistic tendencies. *

Besides this new growth of regionalism, we note, as we have reported, that the Government's ineptitude, particularly as regards the prosecution of the civil war, has brought some officials to consider the advisability of a mediated settlement with the Communists. Despite official Government denials, through its recent military attaché, Gen. Roschin, the Soviet Government informally suggested to certain Government leaders that the good offices of the Soviet Union could be obtained to arrange a mediated end to the present civil strife. The fact that, subsequent to his having made this suggestion, the Government, aware that he had done so, accepted Gen. Roschin as the new Soviet Ambassador to China, leads us to believe that accommodation with the Communists must be favored by many influential persons within the Government as preferable to a continuation of the *status quo*. The Chinese with whom we talk are of the opinion that accommodation means coalition government, and that through participating in a coalition government the Communists might come to control all of China by political means. Yet, faced as they are with mounting defeats in the civil war, and with the most colossal chaos in the administration of the nation's affairs, they cling to a forlorn hope that more can be salvaged from a mediated peace than would be saved if the entire country were to fall into Communist hands as the political disintegration develops.

The fact that at least some members of the Government look with favor on a Soviet offer to mediate an end to the civil war does not, in our opinion, necessarily indicate a firm trend for the Government to orient itself toward the Soviet Union, rather than the United States. Soviet mediation would, we feel, be accepted by non-Communist Chinese only with great reluctance, and only if it were clear that the negotiations with the Communists could come no other way. Except in very limited circles, the U. S. S. R. has no following in non-Communist China, and it is almost universally feared, disliked and mistrusted there. However, the possibility remains that the Soviets may succeed, perhaps through the insistence of their Chinese party, in forcing the Government to accept them as mediators.

In this situation, the slow increase of anti-American sentiment in the country is noteworthy. The origins of this sentiment are complex. In its most vocal expression, as it occurs in the statements of such public personages as Dr. Sun Fo, it is but little more than irresponsible and malicious talk. In other instances it is probably the result, direct or indirect, of Communist propaganda which reiterates the simple, but effective, theme of the Alliance between American imperialism and the rapacious and corrupt reactionary, Chiang Kai-shek. Effective as the Communist propaganda is, it

largely serves to reinforce a common conviction, which we have referred to elsewhere, that the Generalissimo is, in fact, leading the country to ruin and chaos, and that he could not do so if it were not for the support which the American government has given him. Regardless of the validity of this idea, it is, as we say, commonly held. Although it is not, of course, found in the Government controlled press, this opinion is held by the intellectuals who staff the press, and so causes them to attack us and our policies for other matters, not directly pertinent to this issue.

As we have suggested above, the main political issue before most non-Communist Chinese today is how a settlement with the Communists can be reached which will leave a maximum of political control with non-Communist elements. It seems clear now that even those Chinese who are most strongly anti-Communist feel that this must be achieved by political means since it cannot be done by military methods. At the moment, the principal barrier to a political settlement is the Generalissimo and some of his closest followers, for, even though they might be inclined to accept such measures, there is no likelihood that the Communists would negotiate with any government led by the Generalissimo and participated in by some of his associates. In these circumstances, the question arises as to whether the Generalissimo would retire so as to make such negotiations possible. We feel sure that he will not do so as long as he has any hope that our military assistance to him will be of a scale and scope sufficient to allow him to gain a military decision or to prolong the civil war until such time as other events may force us to intervene decisively in his favor.

However, regardless of the fact that the Generalissimo may himself decide to depend on a military decision for a settlement of the civil war, there are some strong indications, as we have suggested, that he may not be allowed to do so, for opposition to this course of action continues to mount, and is becoming concrete and organized. It is in this connection that the vice-presidential candidacy of General Li Tsung-jen is significant. Gen. Li's candidacy was announced without reference to the Generalissimo. He has attracted support from Dr. Hu Shih, from other academicians and intellectuals, and, we believe, from many political personages of importance. There is some evidence to suggest that he will have a large amount of support from army circles, and possibly from Marshal Li Chi-shen and his followers. Gen. Li's principal opposition lies in the C. C. Clique, which will support YuYu-jen. It is likely that Yu will have the Generalissimo's backing as well. Since the election will be held in the Legislative Yuan, which is almost entirely packed by the C. C. Clique, it is likely that Yu will be elected. However, this cannot be taken as a certainty,

for provincial leaders will exercise much influence over provincial delegations, and a real contest may develop. In any event, dissatisfaction with the activities of the Government's leadership will be freely expressed.

As will be noted from the foregoing, we are now entering an era of political change in China. Not all of the forces which make for this change are immediately clear. Though some of the larger outlines are beginning to emerge, any comments as to how current trends will work out must be highly speculative. However, we are on relatively sure ground when we point out, as we have above, that present Government leadership is in the process of being repudiated by those who have formerly supported it; that opposition to this leadership is becoming concrete and organized, and is primarily based on opposition to the Government's policy of settling the Communist question by military means; that the present leadership must almost certainly go unless actively sustained in power by us; and, that if there is a change in leadership, the new leaders will reach a political settlement with the Communists which may very likely result in some form of coalition.

Sincerely yours,

LEWIS CLARK

893.00/3-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 20, 1948—4 p. m.

[Received March 21—4:36 a. m.]

512. Controlled American source informs us that Fan Cheng-po in March 17 speech in Control Yuan stated all China is now lost Central Government and that economic military and educational situation is hopeless. In ensuing debate Control Yuan members bitterly criticized Government leadership saying that "little officials" and Government armies in the field are cooperating in refusing to fight Communists and in arranging surrender to them. Critics also stated that many "little officials" in Nanking now have connections with Communists and are "waiting for Communist arrival here". We consider our source reliable and his information that statements as listed were made in Control Yuan as probably true. This is our first intimation of strong criticism of Government in Control Yuan and first indication of appearance of current spirit of pessimism and defeatism in that organ. We believe that speech of Fan Cheng-po is fair example of current lack of confidence of many officials with present Government leadership and their despair over progressive disintegration of Government's economic and military position. We note

particularly Fan's statement that Government has lost all China. This echoes opinion of many informed Chinese that situation in north China is rapidly becoming hopeless and that there is no means by which Government control of south can be maintained if north China is lost.

Given present defeatism in Government and its almost total lack of effective leadership, we are inclined to feel that there is some validity in this opinion. Fan Cheng-po is chairman of Board of Shanghai *Yi Shih Pao*, owned by Bishop Paul Yu-pin, and has been supervisory member of Control Yuan since 1939. Another source which we are unable to rate names him as member CC Clique.

Sent Department 512, repeated Shanghai 206 and Peiping 53.

STUART

893.00B/3-2048

The Consul General at Peiping (Clubb) to the Secretary of State

No. 48

PEIPING, March 20, 1948.

[Received April 6.]

SIR: I have the honor to enclose for the information of the Department a copy (in English translation) of a document ⁴⁰ received in early February from the Peiping Information Office of the Executive Yuan on the subject "Conditions of Communist Bandits in the North-east", setting forth certain information in regard to the Chinese Communist organization and Communist policies in Manchuria. This information, tinged though it may be by a certain amount of Kuomintang bias, contains certain data of real value in respect to Communist organization and policies.

The document is divided into five sections, setting forth respectively the political establishments, economic situation, cultural works, local organizations, and manpower sources of the Communists. It will be noted that, according to this information, Kiamussu is used as the political center and Harbin, as the main political advance post. Schools, factories, military training centers, hospitals, et cetera, are reported to be located at Kiamussu. Peian, Linkou and Mutankiang are noted as other important centers as regards military affairs. In respect to the economic situation, the report notes the existence of Communist buying in the Nationalist rear. The so-called "cultural works" are in main concerned with popular education and propaganda with the emphasis naturally on the revolutionary effort. The report sets forth in detail the nature of local Communist organizations established for the purpose of controlling the population, and reports on the process

⁴⁰ Not printed.

of carrying out the popular trials and liquidation which have been characteristic of Communist procedures in Manchuria and elsewhere. Finally, the report gives due acknowledgment to the success of the Communists in obtaining an adequate supply of manpower for its armies.

Respectfully yours,

O. EDMUND CLUBB

893.00/3-2248

The Ambassador in China (Stuart) to the Secretary of State

No. 138

NANKING, March 22, 1948.

[Received March 31.]

SIR: I have the honor to report some of the most recent Chinese political developments.

Perhaps of primary interest to you will be the most intimate revelation I have yet had of the Generalissimo's thinking. He had no illusions as to the rapid military deterioration and its attendant problems. In fact he summed the situation up in the phrase, "Since peace is unattainable and war is unsuccessful, what can be done?" He commented on his perplexity over your attitude to American aid for China as reflected in the press reports, but said that from his association with you here and all that he had observed of your character and aims he was convinced that your intentions were friendly and constructive. I of course assured him that this was entirely correct and explained again what I understand to be your position consistently held from the time you left China. He admitted that he had failed to take your advice but found a certain satisfaction in having been proven right in his belief that compromise or cooperation with the Communists is impossible.

He said that he really wanted to reform but did not know how to go about it. He asked me to help him without hesitation. It happens that I had been aware of some suggestions of this nature drafted by a few Chinese close to him. Some of these are matters which I have myself advocated on various occasions. I am enclosing a rough translation⁴¹ for your reference. They quite understandably shrink from presenting this to him. But when they will have done so I can follow along with similar ideas if he continues to be receptive.

If or when the China Aid program will have been approved by Congress I shall have specific suggestions more or less based on its terms. I am still strongly of the opinion that what they need primarily from us is advice with enough material assistance to supplement their own efforts to carry out the advice. What General Barr is al-

⁴¹ Not printed.

ready discovering and accomplishing is a confirmation of this opinion in military affairs, and the same will doubtless hold equally true throughout.

The Gimo raised the question of a Sino-American Anti-Communist pact which I did not encourage. In any case it gives insight into his present state of mind.

As to the coming National Assembly he feels that despite all the difficulties it should be held on the date already fixed. His election as President is treated as a foregone conclusion, but he is not entirely sure that this is best for the country. Others, especially in the Political Science Clique, have been quietly discussing his becoming Premier. His popularity has never been so low throughout the country, and now even in the Government and Party. But no one is able to suggest any one else who can compare with him in strength. General Barr would like to have him less active in military matters, giving his time to broad issues of national policy and general administration while leaving operational details to a competent Chief-of-Staff. He seems undecided as to the choice of Vice President, seeing the objections to other candidates, but observing that Americans in their admiration for Li Tsung-jen do not know everything about him.

These and other details concerned with political, economic and military trends we of the Embassy are endeavoring faithfully to report. But with the prospect of American Aid becoming more probable I should like once more to express my confidence that, wisely conceived and carried out, this can go far toward accomplishing all that we desire. The friendliness toward our country and their trust in our intentions are almost universal and very deep. The occasional waves of anti-American sentiment are due to ephemeral causes and can easily evaporate. Even among Communists this is a deliberately incited party weapon. The great majority of Chinese of all classes do not want their country to be communized and I get the impression that the brutal methods currently employed in the areas where Communist forces are now operating are intensifying this hostility. The Government leaders are at last beginning to realize that their methods for combatting Communism have been ineffective, that both in military operations and in popular support they are losing steadily. They cannot win the war without winning the people. They are therefore humbled and frightened and more ready to respond to practical advice. American Aid may well prove to be the catalyst that will restore hope and self-confidence to the leaders while improving popular morale. There are constant attempts even now at progressive reforms which are perhaps chiefly valuable as indicating a new awareness of their necessity. There are also movements among intellectuals or non-partisan liberals not as yet articulate nor representing any

cohesive or substantial volume of public opinion but prophetic of what may be expected with further encouragement. The Gimo embodies in his own personality many of these stirrings and latent potencies, as well as the inhibitions to their realization. I remember your remarking once or twice to me that he always seemed to do the right thing too late. It may be almost too late now but perhaps not quite. At any rate for all the reasons mentioned above I continue to feel a tempered optimism and am watching the reports of action by Congress with eager interest. What may be happening soon in China has a significance far beyond the resistance to Communism as a global problem. We are helping this vast, amorphous population to adjust itself to modern conditions after the shattering of its ancient political and social patterns and the series of internal and external disorders which have so seriously hindered the transition. They have a great heritage and are in no sense a decadent race. Many among them are of the finest human quality and as a people they have enormous potentialities. They need understanding sympathy and firm but kindly guidance almost more than material assistance. The triple effort of the Government attempting improvements, the intellectuals at last becoming more coherent and concerned, and American advisory personnel, with money or equipment largely supervised by us in its use, may reverse the present trend. Once that begins the recovery ought to be fairly rapid. All of this may read like repetitious platitudes. But with the indications of American Aid coming at a time when the outlook seems all but hopeless I am reviewing my own ideas with the result that I have a sense of exhilarating expectancy despite all the questionable obstructions and uncertainties. In any case I shall do my utmost to help the program to succeed whenever your instructions arrive.

Respectfully yours,

J. LEIGHTON STUART

893.00/3-2548 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, March 25, 1948—11 a. m.

[Received March 25—12:27 a. m.]

669. At joint press conference March 24 given by Mayor and garrison commander Yuan Ti-wu it was announced that large number arrests made locally as result uncovering gigantic Communist plot to "create widespread disturbances and destruction among city's important buildings and utility plants" in late March and in April and May. Representatives various people's organizations being invited to meeting today to inspect evidence substantiating arrests. Mayor

warned that anyone, including families of arrested, attempting to start any protest movement is liable to arrest.

Two officers ConGen told last night by labor leader that 30 British tramway and number of Shanghai power company employees arrested yesterday, and that he expected labor trouble in these two companies would break out today or tomorrow as result of arrests, with trouble possibly extending to other utility companies; informant also stated that arrested were not Communists but that their arrests are connected with inter-factional fight within Kmt. He said officials alleging Communists' activities to open way for use of arms in case trouble develops in labor circles.

Military Attaché reports increased activity today by riot squads indicates that trouble is expected.

Sent Nanking as 470; repeated Department as 669.

CABOT

893.00/3-2548 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, March 25, 1948—1 p. m.

[Received March 25—2: 53 a. m.]

674. Propaganda against military conscription is being spread in Shanghai in form handbills. One handbill dated March 21 and entitled "Joint slogans issued by the various Shanghai civic organs against military conscription for civil war" appeals to workers, farmers, students, merchants to organize against conscription and against compulsory contributions for conscriptees' families. It appends 13 slogans which stress such phrases as "cannon fodder, greedy corrupt officials, reactionary dictatorial traitorous government"; exhort *Paochia* chiefs to obstruct conscription instead of being "running dogs of reactionary clique"; appeal to city councilors; call for opposition to "enslaving of Chinese people by American imperialists who force us to be their cannon fodder"; and conclude with "victory to Chinese people" and "long live the new China".

Another sample also dated 21st issued by "Shanghai People's Union for opposing military conscription" employs similar phrases "cannon fodder, corrupt officials; et cetera" with respect to conscription but adds a more general and vitriolic attack on Government America of which following are excerpts:

"Officers and men at front now refuse to fight. They refuse to be made cannon fodder and are surrendering groups of 30 or 50 thousand

at a time. Manchuria will soon be lost and Chen Cheng⁴² has fled to Shanghai.

The American boss behind scene with designs on China's wealth, upon seeing the desperate situation, ships planes and guns to China to massacre Chinese people.

The Government treats America and Japan as if they were its own stepfathers and on the other hand exploits and oppresses the people and creates civil war. Its 20 years of dictatorship will soon be over but it still drafts great numbers of conscripts to turn them into unknown dead".

Sent Embassy, repeated Department.

CABOT

893.00/3-2548

The Consul General at Peiping (Clubb) to the Secretary of State

No. 54

PEIPING, March 25, 1948.

[Received April 9.]

SIR: I have the honor to refer to this Consulate General's despatch No. 49 of March 22, 1948⁴³ in regard to the military situation in Shansi, and to enclose as pertinent in this general connection a brief memorandum of March 23, 1948,⁴³ prepared by Vice Consul Gerald Stryker on the subject "Attitude of Shansi People toward Various Political Groups." Mr. Stryker made a brief trip to Taiyuan and T'aiiku on March 14, 1948.

Mr. Stryker reports that there exists no popular support for Marshal Yen Hsi-shan's regime, that they look at Marshal Yen and his officials only with fear and hatred, feeling that the provincial government does nothing for them except keep out the Communists—and it seems to be failing at that—and that it contrariwise pauperizes and starves them the while it limits their personal freedoms almost to the vanishing point in a close regimentation of their lives. Mr. Stryker reports that there nevertheless is no such active support for the Communists as is discovered in other parts of China, this in his opinion being due in large part to the violent anti-Communist propaganda campaign and the equally violent measures taken by the Provincial Government* to deal with anyone suspected of sympathy for or connections with the Communists.

I had not the time, in the course of my own short stay in Taiyuan (March 1-3, 1948) to make those contacts with the population which

⁴² Former director of Generalissimo Chiang Kai-shek's Northeast Headquarters.

⁴³ Not printed.

*Peiping's Despatch No. 46, March 17, 1948. [Footnote in the original; despatch not printed.]

have given me data on which to base an estimate of the extent of Marshal Yen Hsi-shan's popular support. I did note, however, the same indications of close regimentation of both officialdom and the population to which Mr. Stryker made reference. I moreover obtained from American missionaries at Taiyuan, in the course of my brief meeting alone with them, statements which threw doubt upon the voluntary nature of Marshal Yen's popular support. It is to be noted in this general connection that, for all of Marshal Yen's extended political control over Shansi Province, Communists have found it possible to wrest from him in the course of only one year the major part of his domain (it is my recollection of a report I obtained in Taiyuan that the Shansi Provincial Government now holds only 18 hsien out of a total of approximately 105 in the province—and that the hold over those 18 is less than 100%). In those circumstances it must be considered that General Yen Hsi-shan's military hold over the province is even weaker than would appear on the surface.

Respectfully yours,

O. EDMUND CLUBB

893.00/3-2648 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, March 26, 1948—7 p. m.

[Received March 26—8:37 a. m.]

694. ReContels March 25, 470 to Embassy (669, to Department) and 676 to Department ⁴⁴ (476 to Embassy). On basis preliminary study available information, we inclined toward view that:

1. Authorities have actually uncovered Communist organization operating in local utilities and factories.

2. Those arrested probably include both genuine Communists and workers unwittingly duped into identifying themselves with Communist organization.

3. Situation remains uneasy as result of anti-CC movement in labor unions which has been aggravated by Communists, and of fear among laborers resulting from their uncertainty whether their names are on list of several hundred names of "Communists" which authorities have not yet made public.

Please pass to Military Attaché as combined report of ConGen and Assistant Military Attaché.

Sent Embassy as 487; repeated Department.

CABOT

⁴⁴ Latter not printed.

893.00/3-2748 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, March 27, 1948—3 p. m.

[Received March 27—5 : 45 a. m.]

703. Phrasing of local anti-conscription propaganda reported in Contel 473, March 25, repeated Department as 674, would seem at first blush suggest authorship by Communists, who have been exploiting unpopularity conscription as one of their most effective themes in this and other areas. Curiously propaganda makes no mention of Generalissimo, traditional central target of Communist abuse, which perhaps might mean either that Communists consider Generalissimo's fall certain and feel that attack should henceforth be concentrated on entire regime, or that handbills are work not of Communists but of some group which is trying to force Generalissimo to move away from US and toward settlement with USSR and Communists.

Awareness of extent of public indignation over conscription and its notorious abuses (which is regarded by many as being more efficacious in producing dollars for crooks than soldiers for army) and consequent political capital to be won from leading an anti-conscription campaign is by no means confined to Communists leftists. Recent press editorials indicate general realization by various Kmt as well as other factions of desirability of becoming identified as "reformists". CC paper *Shun Pao* recently expressed itself in favor of reforms which included abolition of conscription and food commandeering and there is some reason to expect that there may shortly be established at Shanghai by Kmt (including CC) elements new reformist organization which will include same items in its program.

Distribution of bills seems obviously timed to exploit current pitch of local popular feeling over drawing of names for Shanghai's quota 6000 draftees and increase movement for evasions and desertions which appears to be already active. Local press reports that authorities are even afraid to announce names of conscriptees as it results in men running away.

Sent Nanking 492, repeated Department 703.

CABOT

868.00/3-2848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 28, 1948—noon.

[Received March 28—4 : 19 a. m.]

553. Last minute efforts of Chen Li-fu and other party leaders to settle National Assembly election dispute having failed, Generalissimo

himself was forced to intervene. During past 3 days he separately received representatives of petition-nominated electees and of Kmt Party nominees who failed of election. Press reports indicate he succeeded in persuading considerable number from both groups to withdraw their demands.

Having prepared the ground Generalissimo today announced following formula for settlement of dispute: (1) In disputes involving only Kmt members, candidate receiving largest number of votes shall be considered elected; (2) in disputes between Kmt members and members of friendly parties, Kmt member shall yield to minor party candidate. General election office has been instructed to issue certificates of election in accordance this formula. Making announcement in dual capacity of head of state and leader of party, he called on party members to sacrifice personal interests for good of country so that constitutional democracy might be achieved, party discipline enforced and cooperation with other parties strengthened.

Compromise formula represents defeat for party leadership, particularly CC Clique, which has labored tirelessly to enforce party mandate in all cases in dispute and it is victory for minor parties, who, well-aware of their impregnable position as Kmt's sole "flower vase of democracy" in National Assembly, obstinately refused to accept anything less than full quota promised them by Kmt. Assembly can now open, but only at cost of several hundred disgruntled Kmt members forced to give up their seats.

Assembly will open March 29. Up through March 27, 1033 delegates had registered and 1032 more reported en route Nanking. After opening ceremony Assembly may be adjourned for day or two until quorum of two-thirds have arrived. If quorum not then present, we believe Assembly will be "packed" to insure its convocation.

STUART

CHAPTER III: MARCH 29-MAY 3, 1948

First session of National People's Assembly; Presidential and Vice Presidential elections

893.00/3-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 29, 1948.

[Received March 29—1:13 a. m.]

555. Opening ceremony of National People's Assembly held March 29, 11 a. m., as scheduled. Generalissimo ⁴⁵ presided and made brief

⁴⁵ Chiang Kai-shek, President of the National Government of the Republic of China.

address to effect that opening of Assembly represented culmination of long and difficult revolutionary struggle. He said that political power was now being turned over to the people and that it would be the duty of all citizens to preserve and promote democracy and to respect the Assembly's choice of President and Vice President. The 1600 delegates present took their oaths of office.

STUART

893.796/3-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 30, 1948—1 p. m.

[Received March 30—12:41 p. m.]

559. Re Shanghai's 553, March 9, 5 p. m. to Department.⁴⁶ Foreign Office advises that on March 10 it filed a protest with Soviet Chargé d'Affaires [at] Nanking for firing by two Soviet P-39 fighter planes on CAT-C-46.⁴⁷ Chinese protest alleged that CAT plane did not come closer to Port Arthur than 45 miles SW. Soviet reply March 13 said CAT plane had actually flown over Port Arthur and that Soviet fighters wished it to land for identification since origin of plane was unknown.

On March 19, Chinese Government filed second protest reiterating contents of first note and adding that plane was clearly marked according to second Chinese note.

Vice Minister Foreign Affairs⁴⁸ added that whereas normally Soviets have answered Chinese notes promptly, there has been growing tendency for increasing delay in replies.

STUART

893.00/3-3048 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 30, 1948.

[Received April 6—8:40 a. m.]

A-92. At the weekly press conference held on March 24, 1948, Mr. Hollington K. Tong, Director of the Chinese Government Information Office, issued the following statement regarding measures for suppressing the rebels in Central China:

"The Central China Pacification Conference which was held in Nanking last week has reached many new decisions on how to counter the Communist three-objectives-seeking tactics, their Crossing-the-

⁴⁶ Not printed.

⁴⁷ Civil Air Transport incident on March 8.

⁴⁸ George K. C. Yeh.

Yangtze-In-May plan, and their plot of creating a Base in the Central Plain.

"Generally speaking, the Communists met with failure in Central China during the last 6 months. Liu Po-cheng⁴⁹ failed to create a base either in the Tapihshan area, or in the Funiu hills in western Honan or in the Tahungshan area in northern Hupeh. He had to depend on manpower and supplies brought over by Chen Yi,⁵⁰ which usually did not arrive in time. Later on, both of them unsuccessfully tried to get men and supplies locally. Now the Government has decided to start a large-scale general offensive to round up Red remnants in Central China.

"The general offensive will be prosecuted through coordination among the Government's military, political and economic authorities in this region. The powers of the pacification commanders will be enlarged; local militia units will be organized and expanded; and the people will be taught to defend their own homes so that they will not be forced to join the rebel units, or to supply rebels with foodstuffs. Without food and manpower supplies, the Communists will be powerless. Then the might of Government forces together with the militia-men will put an end to the Communist expansion in Central China.

"The Communist plan of crossing the Yangtze River in May will also prove futile, because they have no base in the rear to operate from and no sufficient supplies of recruits and ammunition to see them through.

"When measures of the general offensive are enforced certainly a change will occur in Central China. During the next 6 months, Liu Po-cheng may have to flee to the north of the Yellow River just as Chen Yi has done.

"In order to protect the farmers, an early solution to the land problem has to be worked out. This may be done in two stages: first, by equalizing the right to land utilization and secondly, by equalizing the ownership of land.

"To realize the 'land for the tillers' principle, the Government will see to it that every tiller has a piece of land to till. A ceiling will be put on the size of land one may have. Land bonds will be issued. By these two measures, the farmers will be aided to acquire land. At the same time, the Government will reduce land tax and order the landlords to cut one-third land rentals by one-third.

"In the past there were numerous kinds of taxes in kind. Henceforth, these taxes will be merged into one, which is to be fixed by the local city council. The Government will also forbid local Government organs and garrison forces to levy direct tax on the people.

"To encourage volunteer soldiers and to bolster the morale of fighting men on the front, the Government will start cheer-up campaigns. Families of soldiers will be cared for and given land. Every soldier is entitled to three to five mow of land. These new measures will undoubtedly have a stimulating effect on the men fighting the Communist rebels."

STUART

⁴⁹ Commander of Communist Central China Forces.

⁵⁰ Commander of Communist New Fourth Army in Shantung area.

893.00/3-3148 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*⁵¹

NANKING, March 31, 1948—3 p. m.

[Received March 31—8:32 a. m.]

574. Demoralization and deterioration of situation portrayed in our 432, March 8, have continued at an accelerated pace. There is an increased feeling of helplessness in Government circles as elsewhere and a fervent searching for some means of bringing a stop to civil war and economic and political uncertainties resulting from it. There is an increasing realization, shared even by Generalissimo, that military victory over Communists is impossible and that some other solution must be reached if Communist domination of all China is to be avoided. There is a realization that old methods are inadequate and that new approach is needed. There is, we believe, a sincere search for an effective new approach yet no one has found the formula. No one seems capable of taking positive action towards peace. Each one looks to another for initiative. Those in positions to influence Generalissimo to take positive effective measures fear his anger and are reluctant to put forward their ideas of reform. He has need of more courageous advisors around him and perhaps his reorganized Government will supply this need. As straws in the wind and as possible portent of future trends are recent proclamations by intellectual groups advocating reforms. What they are afraid to do individually, they are beginning to do collectively.

Chinese people do not want to become Communists yet they see tide of Communism running irresistibly onward. In midst of this chaos and inaction Generalissimo stands out as only moral force capable of action. We know that he plans to reorganize his Government yet we question a mere shifting of portfolios can result in effective action. Little, if any, new blood seems available. What is needed is inspired leadership of which so far Generalissimo seems incapable. Possibly, however, desperateness of his situation will serve to stimulate him as in past to leadership required.

In any event, there is ever so slight an indication that Generalissimo may at last deem situation so acute that he is prepared to accept and follow sound advice. He is taking measures to improve military situation in Mukden and if he can save Mukden, and it begins to look as though he may do so; if he can bring himself to begin institution of political and economic reforms needed to make his Government more acceptable to people, and there are signs here also that he may have reached that stage; and if we can continue and, if possible, expand our present support, as now seems likely from Congressional

⁵¹ Repeated as telegram No. TELMAR 9 to the Ambassador in Colombia for Brig. Gen. Marshall S. Carter, who accompanied the Secretary of State to the Ninth International Conference of American States at Bogotá, March 30-May 2.

consideration of Aid to China Bill;⁵² then situation may not be entirely beyond redemption.

It is nevertheless desperate and if Generalissimo does not act and act promptly, there are increasing indications that growing opposition to him within party may find leadership, possibly under Political Science Group, and will remove him from scene, accepting best possible accommodation with Communists. Should this stage be reached, we could expect Soviet Ambassador Designate Roschin to assume his duties at Nanking and could look for acceptance of Soviet offer of mediation. Contrary, however, to belief expressed in our 432 we now incline to opinion that Soviet mediation would result in coalition government rather than in territorial arrangement. That road to power is better known to Communists and would, we believe, be more acceptable to dissident elements in government. Under a territorial arrangement present disposition of Communist forces would likely involve giving them jurisdiction over everything north of Yangtze and east of Sian—a division of territory unlikely of acceptance even by dissident elements of government. On other hand, we hear expressed on many sides belief that under coalition government fundamental characteristic of Chinese would assure that pattern of Czechoslovakia⁵³ could be resisted and that democratic government in some form would eventually succeed.

Developments in National Assembly now in session should throw light on future. Choice of a Vice President will give an indication. China is once more at crossroads. Generalissimo sees structure he labored so long and so hard to create collapsing about him and he may be expected to fight with his usual courage and ability. Either those of weak heart will prevail and we will find ourselves with a Soviet-sponsored coalition government or those of stout heart will rally round a Generalissimo in some way reinspired to restore benevolence to his despotism sufficient to attract once more public following necessary to overcome Communist threat. We hope for latter but we fear former.

STUART

893.00/3-3148: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 31, 1948—4 p. m.

[Received April 1—5:17 a. m.]

575. On March 29 I wrote by hand in English to the Generalissimo congratulating him on the significance of the National Assembly in

⁵² Approved April 3, 62 Stat. 158; for correspondence, see vol. VIII, "U.S. Economic Aid to China".

⁵³ Communist seizure of power during a Cabinet crisis in February 1948. *

his career, and telling him that, since it now seemed fairly probable that there would be American aid for China in some form, I hoped that this would be so utilized as to accomplish all that was intended and that I stood ready to help in this in every possible way. I expressed again my desire to see him end his career as the one who had established real democracy in China and my belief that the time had come to put this into effect. This was partly in response to a message he had sent asking me not to hesitate to advise him on anything I had in mind. The letter was delivered on the following day by Philip Fugh⁵⁴ to Madame Chiang who seemed to welcome the chance to talk freely.

The following is a summary of the major features: The essential point seems to be that in trying to influence the Generalissimo toward a more democratic procedure we must be aware of the obstructive forces around him.

Madame Chiang described her recent experience in American relationships in three stages.

(1) During the period of General Marshall's⁵⁵ stay: She tried to avoid all participation in political activity apart from acting as interpreter. This was because she understood American psychology well enough to know that she would otherwise be suspected of attempting to serve the interests of the Generalissimo by feminine wiles or social pressure on the Marshalls. But she realized also that the Generalissimo himself did not want her to meddle in American issues, although it was apparent to her that he did not comprehend the American point of view. Toward the end of this period she worried over the unsatisfactory course of events and the consequences to China if the Marshall mission failed. She tried therefore to help the Generalissimo to appreciate the gravity of the issue, but all her efforts proved abortive chiefly because of the group around him, especially Chen Cheng⁵⁶ and Hu Tsung-nan.⁵⁷ She added that his military associates are much more influential than the civilians.

(2) From General Marshall's departure until the Wedemeyer mission:⁵⁸ The military comrades felt quite elated in that not only was American influence waning, but that the same was true of the Soong family who were regarded as strongly pro-American. These included, in addition to the two mentioned above, Yu Chi-shih,⁵⁹ Ku Chu-tung⁶⁰

⁵⁴ Secretary to the Ambassador in China.

⁵⁵ General of the Army George C. Marshall, Special Representative of President Truman in China, December 1945–January 1947.

⁵⁶ Chief of the Chinese General Staff.

⁵⁷ Pacification Commissioner for Shensi.

⁵⁸ Lt. Gen. Albert C. Wedemeyer, President Truman's Special Representative on mission to China and Korea, July–September 1947; for correspondence on this subject, see *Foreign Relations*, 1947, vol. VII, pp. 635 ff.

⁵⁹ Director of the Military Affairs Bureau of the Chinese National Government.

⁶⁰ Commander in Chief of the Chinese Ground Forces.

and several others educated in Germany. T. V. Soong ⁶¹ was promptly driven out by their efforts. They, with the help of the CC ⁶² and Political Science cliques, secured the premiership for Chang Chun as one who would be easily influenced. They announced that the Communists would soon be defeated, but when matters went the other way they blamed one another. Chen Cheng had boasted that the war within the Great Wall would be finished within 3 months, but when this failed the Generalissimo sent him to the northeast to prove what he could do in a new theatre. However, the situation there became still worse and the Government suffered terrific loss, including 16 divisions mostly American equipped. General Wedemeyer's critical attitude played into the hands of this group. She debated with herself several times as to asking me to come and talk over the problem, but decided not to for fear of criticism or of being suspected of trying to influence American policy which continued indecisive. She had made up her mind to accept Mrs. Marshall's invitation last summer, but was prevented from doing so by the Generalissimo.

(3) After the Wedemeyer mission: The military situation continued to worsen. The people around the Generalissimo went on blaming one another and he himself was depressed by Wedemeyer's criticisms. She advised T. V. Soong to go to Canton and do what he could there. The smuggling was rampant under Chang Fa-kuei ⁶³ and Lo Cho-ying.⁶⁴ This was his chance to help the country. Let her stay on here and fight the reactionaries. She felt in her heart that sooner or later American aid would come and she wanted China to be influenced by American political ideals. Now that the reactionaries are losing ground and American influence is increasing, she ought to stay here and help as she can, which led her again to decline Mrs. Marshall's invitation. They had been using the slogan "self-reform" as really meaning independence of America, this feeling having been accentuated by the unfavorable effect of Wedemeyer's parting statements. She believes that now we can all work together to alter the mental outlook of the Generalissimo.

STUART

⁶¹ Then President of the Chinese Executive Yuan; subsequently Governor of Kwangtung.

⁶² Faction of the Kuomintang led by the brothers Chen Li-fu and Chen Kuo-fu.

⁶³ Director of Generalissimo Chiang Kai-shek's Headquarters in Canton, 1946-47.

⁶⁴ Governor of Kwangtung, 1945-47

893.00/3-3148

The Ambassador in China (Stuart) to the Secretary of State

No. 152

NANKING, March 31, 1948.

[Received April 15.]

SIR: As of possible interest in the Department, I have the honor to quote below the text of a memorandum of conversation between me and Marshal Li Tsung-jen⁶⁵ on the present political situation:⁶⁶

"On the evening of March 27 Marshal Li had dinner with me and discussed at length his candidacy for Vice President and related matters. He had hoped to have an intimate conversation with Chiang Kai-shek, but since arriving here several days ago he had only seen him once when invited to a meal with two other aspirants, Sun Fo⁶⁷ and Cheng Chien.⁶⁸ The only reference to the elections was the statement by Chiang Kai-shek that there would be no further nomination by the Party, but that the elections would be by open voting. He thought this would give him a better chance. He described his own purpose in running as realizing that Chiang Kai-shek needed some influence that would neutralize his high-handed, self-willed and in general undemocratic methods. He believed that he could accomplish this better than any of the other candidates; that this would be the most effective way in which he could render this service, and that it must somehow be done or the present political structure would collapse. He discussed his long association with Chiang Kai-shek and his more unfortunate shortcomings. He was very stubborn and uncompromising, this latter being at once his strength and weakness. Almost more serious a defect was his refusal to discuss problems with others, keeping his own counsel, issuing orders arbitrarily. He was very willing to carry responsibility, but tended to overdo this both as regards his own physical strength and the national welfare. He ought to get away from the small group around him whom he shuffled back and forth without bringing in younger or more progressive men. But he agreed with me that under proper conditions Chiang Kai-shek could be persuaded to modify his methods.

"As to the situation in general, he thought that suppression of the Communists would be a slow process. He cited the Taiping Rebellion which required 18 years to suppress and the more recent one of the bandit chief, White Wolf (Pai Lang), requiring 8 years. It could not be achieved merely by military means, but called for political reforms. If there were war between U. S. and U. S. S. R. this would of course affect the issue in China. He asked in this event whether or not China ought to remain neutral. I replied that while my Government

⁶⁵ Candidate for Vice President and Director of President Chiang Kai-shek's Headquarters at Peiping.

⁶⁶ For additional reports on the meeting of the National Assembly and the election of President and Vice President, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 846-855.

⁶⁷ President of the Chinese Legislative Yuan.

⁶⁸ Director of President Chiang Kai-shek's Headquarters at Hankow.

felt that every preparation should be made for eventualities, yet it seemed to me improbable that such a war would break out for several years and that the stronger China could become internally in that period, the more would she contribute toward the unlikelihood of such a war."

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy

893.00/3-2248

*Memorandum by the Chief of the Division of Chinese Affairs (Ringwalt) to the Director of the Office of Far Eastern Affairs (Butterworth)*⁶⁹

[WASHINGTON,] April 2, 1948.

There is attached hereto a despatch of March 22, 1948 from Ambassador Stuart.^{69a}

[Here follows summary of two earlier Embassy despatches, No. 1144, December 6, 1947, printed in *Foreign Relations*, 1947, volume VII, page 387, and No. 28, January 23, 1948, printed *ibid.*, 1948, volume VIII, "U.S. Military Assistance to China" (Ch. III).

Comment: The Embassy has made an able presentation of the arguments in favor of active US military participation in the Chinese Government's war against the Communists. Our present general approach to China's problems seems to rule out action along the lines envisaged by the Embassy, but it may nevertheless be worthwhile to explore some of the difficulties and objections, inherent in such a line of action, which the Embassy seems not to have adequately considered.

The Embassy cites six grave handicaps under which the Government military effort operates but fails to explain how certain of these handicaps might be removed; for the removal of the others it suggests measures which appear to us to be open to grave objections. The following is our more specific comment in this connection:

(1) The Embassy fails to explain how a US planning group subordinate to the Generalissimo could break his habit of interfering with field operations.

(2) It does not state how the planning group could in the near future remove the handicap inherent in the lack of integrity and professional skill of top Government commanders. It may be assumed, however, that the Embassy expects that the Sino-US field

⁶⁹ In a memorandum of April 5 Mr. Butterworth stated to the Under Secretary of State (Lovett): "I would suggest that the attached memorandum and file be forwarded to the Secretary who will no doubt have more leisure to read it in Bogotá or en route from Bogotá than he will in Washington. Incidentally, I am sure that despatch No. 138 of March 22, attached, from Ambassador Stuart was written by him with the idea that General Marshall would have an opportunity to see it." Memorandum initialed by the Secretary of State: "GCM".

^{69a} Despatch No. 138, printed as a separate document, p. 163.

teams would compensate to a degree for these deficiencies. Use of such field teams doubtless would require a considerable increase in the number of US military personnel in China and the direct involvement of some of them in China's civil war. The utilization at the front of US officers for the purpose of instilling the proper offensive spirit apparently is also envisaged, for in its despatch of December 6⁷⁰ the Embassy recalls that during the Sino-Japanese war such spirit was instilled in selected divisions only through the earnest efforts of US officers, who worked with those divisions while they were engaged in actual combat operations.

(3) It fails to explain how the planning group would serve to remedy the failure of the Government to organize an effective service of supply. Almost certainly the assignment of US personnel to tasks of getting matériel to the areas of end-use, which presently cover much of Manchuria and China proper north of the Yangtze, would require a large increase of US military personnel in China and, given Chinese Communist mobile tactics, would directly involve many of them in fighting.

(4) It urges US participation in local Chinese government. The Japanese between 1937 and 1945 attempted to guide local Chinese governments in occupied areas. Japanese efforts along these lines enjoyed important advantages—similarity of the Japanese and Chinese written languages, availability of large numbers of Jap specialists in Chinese affairs, and the backing of large numbers of Japanese gendarmes and regular troops. Nevertheless their governmental activities were resented as outside interference and achieved inconclusive results. It seems doubtful that the US, lacking large numbers of available personnel who at once possess military government techniques and are intimately acquainted with China, would enjoy better success.

(5) It does not indicate how the Chinese Government's inability to plan and execute a military training program would be remedied by creation of the proposed US strategic planning group. It would appear that the AAG as presently organized should be in position to remedy that defect to such extent as that may be accomplished by a non-Chinese group.

(6) It cites the inability of the Government to balance available resources of manpower and matériel against requirements of the situation and to organize those resources for their most efficient employment. Elsewhere it has stated that the Chinese Government evidently does not know what resources it possesses; availability of such information would appear a prerequisite for any effective planning. To obtain it there would probably be required the extended efforts of considerable numbers of competent persons who are at home in the Chinese scene, and it is not apparent where such personnel could be procured. However, granting that this obstacle were overcome and proper plans drawn up, we should almost certainly have to request withdrawal of Chinese forces from overextended garrison positions in order that sufficient troops might be available for offensive operations. Should the Chinese accede to such a request we would become responsible in Chinese eyes for the supply of matériel needed for the accepted plans as well as for the subsequent recapture of areas aban-

⁷⁰ Despatch No. 1144; see bracketed note, p. 178.

doned at our behest. Once so firmly committed, we might find the Chinese accepting our matériel and again rejecting our advice.

A[RTHUR] R. R[INGWALT]

893.00/4-248 : Telegram

The Consul General at Tsingtao (Turner) to the Secretary of State

TSINGTAO, April 2, 1948—9 p.m.

[Received April 15—7:42 p.m.]

52. Strong ⁷¹ returned afternoon April 1 from trip 2 days at Tsinan, 1 day Weih sien. Report both cities and surrounding areas powerfully fortified and exhibiting desire defend strongly. US citizens, other foreigners returning to both cities but promising evacuate again before lost airfields render outside assistance unavailable. General Wang Yao-wu ⁷² guarantees cooperation in assuring safely [safety?] all foreigners.

Following official dinner Wang in private talk replied quite frankly to questions asked by Strong concerning present and future military and political situation. He declared some hope for Central Government since rotten Kmt ⁷³ organization realizes in desperation that drastic cures required. US military equipment and supplies being voted by Congress will improve morale of soldiers. Capacity of Chinese to survive adversity worse than at present. He considers Manchurian situation very bad due defenders' low morale. Is very much afraid US aid will be too late since next 6 months probably decisive. National generals North China will continue fight if Central Government collapses. With present force he can hold Tsinan perimeter.

Wang stated that although US aid badly needed, good government is primary requisite for success against Commies.

From conversation with Wang, Strong gained impression that he will remain loyal to Kmt Government until collapse or until it evidently impotent. However, at conclusion private conversation, Wang sent Lt. General Hsu Ching-yu, Secretary General of combined civil-military Party Headquarters Tsinan, to Strong's quarters to deal further with question Wang's plans event fall Central Government. Hsu states regime rotten. Collapse very likely. Generalissimo getting old, lacks drive, will not delegate authority though sees situation very bad, does not know younger capable men thus does not know anyone in whom to place trust outside present group surrounding him and Generalissimo will not retire as he should. He declared Wang plans stay Shantung and fight. Feels able hold Tsinan, Taian,

⁷¹ Robert C. Strong, Consul at Tsingtao.

⁷² Governor of Shantung and Commander of the Second War Area.

⁷³ Kuomintang (Nationalist Party).

Weihhsien, Tsingtao, Chefoo, eventually whole province. Wang expects keep loyalty population with good government, develop strong militia, strengthen economy. Hsu asserted Wang will have support of liberals who are stirring as well as that of generals at Taian, Weihhsien, Chefoo and Tsingtao who are with Wang in such plan and together with Fu Tso-yi⁷⁴ may be able to save whole North China.

According to Hsu, should Government fall Wang will at once be able organize government. Will have nothing to do with Hong Kong grounds [*groups*] Revolutionary Committee of Kmt and Democratic League who lean to Commies too much. Wang is very anxious know how US will react his proposed regime and whether US could give him military aid. Feels Soviets aided Commies much more effectively than US aided Central Government. Hsu requested strong approach US forces Tsingtao re attitude and aid. Feels Generalissimo obliged leave present troops Tsinan since ordered city held all cost, thus will have effective force and US military equipment granted him will not fall into Commie hands.

See mytels 101, March 10; 90, March 3; 80 [87], February 26, and my despatch Nos. 23, March 20 and 16, March 4 to Nanking, copies of despatches to Department.⁷⁵

John Abernathy, Baptist missionary Tsinan, who is official adviser to Wang, has been asked by Wang to delay US furlough several months though due leave May. This request considered by Abernathy and Strong very likely due Wang's desire obtain advice not only for local government but also to deal with Americans should independent regime be necessary and to use him as link with US officials in China. Strong told Abernathy that if he decided remain he would be useful not only to Wang but probably to US.

Further details on Tsinan and Weihhsien follow [in] despatch.⁷⁶ Sent Embassy as 119, repeated Department as 52.

TURNER

893.00/4-448: Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, April 4, 1948—9 p. m.

[Received April 4—11:24 a. m.]

768. Chang Kia-ngau⁷⁷ informs me:

1. Chiang Kai-shek is today informing Kmt that he will not accept Presidency and recommends election of Hu Shih.⁷⁸

⁷⁴ Commander in Chief of Bandit Suppression Forces of North China and Deputy Director of Generalissimo Chiang's Headquarters at Peiping.

⁷⁵ None printed.

⁷⁶ No. 33, April 3, not printed.

⁷⁷ Governor of the Central Bank of China.

⁷⁸ Chancellor of National Peking University.

2. Generalissimo has done this: (a) to justify his long stay in Kuling; (b) to get military to fight war, not scramble for office.

3. He thinks Generalissimo is not making mere gesture, but Kmt may force Generalissimo to accept Presidency.

4. He is sure Hu Shih will not accept and believes Generalissimo will then support some elder statesman he can control.

5. He is moderately optimistic impact of this development plus American aid on Chinese public opinion.

Sent Department, repeated Nanking as 546.

CABOT

893.00/4-548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 5, 1948—6 p. m.

[Received 11:37 p. m.]

611. We have read with interest Strong's report on visit Tsinan, your 129 [119], April 2, repeated Department as 52. Unless Department directs to contrary, we suggest utmost reserve in considering requests from regional leaders such as that made by Hsu to Strong for regional aid. Time has not yet come, we believe, when channel other than that of central government could be considered.

Sent Tsingtao as 65, repeated Department 611.

STUART

893.00/4-548

The Consul General at Hong Kong (Hopper) to the Ambassador in China (Stuart) ⁷⁹

[Extract]

Hong Kong, April 5, 1948.

SIR: I have the honor to submit a report of a conversation on March 18, 1948, between C. Y. Li (Li Tso-hsien) and Vice Consul R. M. Service, concerning the Kmt Revolutionary Committee. C. Y. Li is the general manager of a prosperous firm known as the Hsin Hua Enterprise Company, which maintains branches in Canton and Shanghai. He has been a devoted and close follower of Marshal Li's ⁸⁰ for a number of years, and Mr. Service was acquainted with him in Kweilin in 1943 and 1944. A few days following Mr. Service's initial call on Marshal Li on February 28, 1948 (see this office's despatch of March 1, 1948 ⁸¹), Service was contacted by C. Y. Li, who indicated

⁷⁹ Copy transmitted to the Department by the Consul General at Hong Kong without covering despatch; received April 21.

⁸⁰ Li Chi-shen, Chairman of the Kuomintang Revolutionary Committee.

⁸¹ *Ante*, p. 126.

that the Marshal had instructed him to serve as liaison with the Consulate General. This despatch reports the substance of Service's first interview with C. Y. Li.

Beginning of Summary. The Kmt Revolutionary Committee's plan of action calls for the staging of a revolt of certain military units behind the Government's lines. Groundwork for this plan already has been laid, and is continuing. It is anticipated that the revolt of key divisions in all areas below the Yangtze and in the west will render the Generalissimo's position untenable. The KmtRC will accept political and military leadership and will negotiate for a truce with the Communists, pending the establishment of a coalition government. To carry on its present program of negotiating for the loyalty of divisional commanders and their troops, additional funds are required; an estimated US\$10 million will suffice to augment current expenditures until the suitable moment for the coup. Mr. C. Y. Li, a follower of Marshal Li's, hopes that an American loan in this amount can be made available to Marshal Li, perhaps through a "front" such as Mr. Li's own firm. It is not yet known whether this proposal actually represents a suggestion from Marshal Li, or is Mr. Li's own idea.

The KmtRC is working against time to obtain control of the Government before the Communists overwhelm Central China. Marshal Li and his close followers are opposed to the communization of China, and have concrete plans prepared for the introduction of agrarian reforms in accordance with the principles of Sun Yat-sen. Other reforms include the weeding out of fascist elements in the Kmt and sweeping changes in the pay, selection, and supervision of officials.

End of Summary.

Respectfully yours,

GEORGE D. HOPPER

S93.00/4-648 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, April 6, 1948.

[Received April 7—7:09 a. m.]

160. Students 5 Peiping universities commenced 3-day strike April 3 in protest against Government ban on North China Student Federation, organization representing student self-government associations of 5 Peiping (Yenching, Tsinghua, Peita, Chungfa, National Normal) and 2 Tientsin universities. Students have presented petition to Peiping President's headquarters for transmission to Chiang Kai-shek demanding ban be rescinded. Students claim organization is democratically elected in accordance with regulations and there-

fore ban is unconstitutional. They deny Government claim that federation is Communist-instigated organization, saying it solely engaged in protecting students' welfare and all activities are carried out openly. Students say they will not disband federation. They also protest in letter to Hu Shih alleged beating of student Lu Yipeng by secret police and demand increase educational budget and higher salaries for university teachers and employees.

So far no violence reported in connection with strike. Though strike demands do not mention USA, student literature contains references to "American imperialistic aggression", "sovereignty of Taiwan, Tsingtao, and Ryukyu Islands fallen into U. S. hands", "American imperialism's all-out support of anti-people's war". Tsinghua and Peking Universities lecturers' and assistant professors' associations have called 3-day strike to begin April 6 demanding restoration monthly ration 2 bags flour and increased salaries.

Sent Department as 160, repeated Nanking as 249 and Tientsin.

CLUBB

893.796/4-748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 7, 1948—3 p. m.
[Received April 8—12:29 a. m.]

622. ReEmbtel 559 of March 30, 1 p. m. According to press reports, Soviet Government has now rejected second Chinese protest as groundless and insisting that CAT plane did in fact cross the boundary of Port Arthur Naval Base area. For information of Department, several CAT pilots have admitted privately that if CAT plane did not actually fly over the Port Arthur Naval Base area, it did come close enough to create a reasonable suspicion that it may well have done so.

STUART

893.00/4-848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 8, 1948—noon.
[Received 2:57 p. m.]

630. Before leaving for Canton I called on Generalissimo and found him more cheerful than he has appeared for several weeks past. He knew General Barr⁸² was going with me and asked that we hurry back as he needed Barr's advice in respect of certain studies involving

⁸² Maj. Gen. David G. Barr, Chief of Army Advisory Group.

military equipment. Also he thought there were issues connected with American aid which I should be on hand to discuss with him. Foreign Minister ⁸³ expressed similar hope to me this morning.

Generalissimo asked me to convey to Secretary his personal appreciation for Congressional action approving China aid program and for Secretary's important part in this action.⁸⁴

In explanation for his reasons for refusing to allow his name to be proposed by Kmt for President, he said:

(1) He felt strongly that when the constitution was being put into effect for first time neither President nor Vice President should be military man and that only way to prevent the choice of military man for those offices was for he himself to withdraw from contest. The nation should profit, he said, by the example of misrule under militarists beginning with Yuan Shih-kai at the very inception of the republican system and should elect civilians to high office.

(2) According to the constitution, the President's powers are very limited and he would not be able to make as much contribution as in some subordinate position. He quoted a phrase from Mencius that in subordinate position he could do twice as much with half the effort. He admitted, however, that all his efforts to withdraw seemed unsuccessful and he would have to abide by the vote in the National Assembly unless he could convince the members that the stand he had taken was really to the best interests of the country.

I told Generalissimo I had been much impressed by his attitude which I knew to be sincere; yet, on the other hand, he had been so long not only the leader, but almost the symbol of China's long struggle towards independence, unity and peace that he would still further injure popular morale within the country and weaken confidence abroad if he did not yield to the clearly expressed desires of the National Assembly delegates. I remarked on the great significance of the establishment of constitutional government at the very moment American aid was voted, and mentioned the potentialities this combination offered for progress and reform in China. I went on to say that communism was not only military, but also a social and political movement which could not be conquered in any country merely by military force, and that such things as better local government, improvements in taxation, the protection of civil rights, and popular education were equally necessary. As President he would, I thought, have more time for larger issues instead of being burdened with the incessant routine he had hitherto carried. To this he remarked that even if he became President and acted on that theory it would be necessary to go on doing that sort of thing as otherwise matters would soon begin to go wrong. I responded that it seemed to me to be part of his new func-

⁸³ Wang Shih-chieh.

⁸⁴ For correspondence, see vol. VIII, "U.S. Economic Aid to China".

tion to attempt to delegate responsibility and to train others to accept responsibility without always coming to him; that he could not go on forever trying to administer the whole country, and that this would be a good time to train himself and others for such procedure. He replied that he supposed this was true, but that it was not easy.

The above is most depressing and indicates to us that the road to reform in China under the Kuomintang is going to be most difficult. Nevertheless the situation is so desperate and there is such a real desire for change, some progress may yet be possible. What the Chinese need as much as anything at the moment is competent advice in the various fields of activity. If, in connection with the China aid program, we can supply the qualified advisors which they urgently seek and desperately need, there is a fair chance the advice will be taken and improvement result. In implementation of the China aid program we hope, therefore, Department is giving some serious consideration to this phase of the problem.

STUART

893.796/4-848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 8, 1948—2 p. m.
[Received April 8—1:27 p. m.]

632. George Yeh, Vice Minister [at] Foreign Office, told us today that final Soviet note on CAT Port Arthur incident, our 559, March 30, stipulated latitude and longitude of incident which was clearly right over Port Arthur. Rather than to argue the question of the location of the incident further, Chinese have replied to Soviets, he said, giving description of markings of all Chinese civil and military aircraft and taking unqualified position that such planes have right to fly at all times over Dairen and Port Arthur.

Asked whether Chinese Government still had under consideration possibility taking question Sino-Soviet treaty⁸⁵ to International Court of Justice, Dr. Yeh replied that, while such action might give opportunity for sympathetic comment, Chinese Government had decided it would serve no practical purpose at the moment. Basic Chinese policy in respect of USSR at moment, he said, was to do nothing to disturb the situation in the Far East at this stage. Until such time as our efforts in Europe had brought about sufficient improvement in the situation as to permit us to devote more political and material attention to Asia, he thought the sensible course for China was to continue that policy. Should situation develop so that a more ag-

⁸⁵ Signed at Moscow, August 14, 1945; United Nations Treaty Series, vol. 10, p. 300, or *United States Relations With China*, p. 585.

gressive policy by China in the Orient in respect of the USSR could be expected to have effective support from the US, then would be the time for China to consider revising her course of action.

STUART

893.00/4-848 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, April 8, 1948—4 p. m.

[Received April 9—11:52 a. m.]

170. In private interview with Vice Consul Martin⁸⁶ today Lou Pang-yen, Peita professor of Political Science, member executive committee and editorial board Chinese Association for Social and Economic Research (official name), emphatically denied Hu Shih is motive force behind this organization. He stated that on contrary upon being informed of association's platform he stated he could not agree with many proposals but would not actively oppose forming of association. According to Lou, Hu specifically objected to some of economic proposals because he opposes any form of collectivism (re Embtel 454 to Department, March 12).

Lou further stated that organization has no intention of becoming political party nor will it give organized support to Li Tsung-jen nor any other candidate. Most political minded members simply see group as Chinese Fabian society which would exercise political influence through writing but not through active participation in politics. Some members of group do not even wish to go this far.

Despatch follows⁸⁷ setting forth certain information obtained locally re association's organizational setup and orientation.

Sent Department as 170; repeated Nanking 20.

CLUBB

893.50 Recovery/4-948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 9, 1948—4 p. m.

[Received 11:30 p. m.]

638. Gimo spoke for 90 minutes this morning before packed session of National Assembly. His speech, given from notes rather than prepared text, was delivered with vigor and drew frequent applause from delegates in sharp contrast to his uninspiring address at opening ceremony of assembly. He discussed economic situation in detail and

⁸⁶ Edwin W. Martin.

⁸⁷ No. 72, April 26, not printed.

gave statistics on China's overall foreign exchange position, specifically including funds to be made available under American China aid program. Also gave detailed analysis of military situation on each front, stressing importance of organizing local defense in each hsien, and expressing conviction that Communists can be contained and eventually destroyed, though it may be necessary to make strategic withdrawals from some points. By concentrating Nationalist forces and attacking Communists Gimo stated latter will be eliminated as military factor south of Yellow River within 6 months.

Noteworthy section of speech blamed "foreigners" for present discouragement among Chinese, asserting that talk by foreigners of imminent collapse of Government had affected people's morale. He pointed out that aim of Communists is to bring about economic collapse and urged delegates not to be influenced by Communist propaganda directed toward this end. His detailed report on present economic situation apparently designed to prove to delegates that Government is not about to collapse.

Purpose of address appeared to be to strike at defeatism which has infected Nationalist China and urge delegates and thru them the people to greater effort.

STUART

893.00/4-948

The Ambassador in China (Stuart) to the Secretary of State

No. 169

NANKING, April 9, 1948.

[Received April 20.]

SIR: I have the honor to enclose a copy of an address⁸⁸ reputedly given by the Generalissimo on April 4, 1948 at a meeting of the Central Executive Committee of the Kuomintang. It was furnished the Embassy by an American correspondent, who received it from a C. E. C. member. So far as we are aware, only a few extracts from the address have appeared in the Chinese and foreign press, its greater part having been suppressed.

The main significance of the address lies in the fact that it formally and specifically advises the Kuomintang to nominate a non-partisan to be candidate to the presidency. The circumstances whereby the Generalissimo retreated from this stand and agreed to become a presidential candidate are recorded in Embtel 630 dated April 8.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy.

⁸⁸ For text, see *United States Relations With China*, p. 847.

893.00/4-1248 : Telegram

The Consul at Tsingtao (Strong) to the Secretary of State

TSINGTAO, April 12, 1948—9 a. m.

[Received April 13—9:27 p. m.]

58. Remytel 125, April 10th [11 a. m.]⁸⁰ Weihsien continues hold out though Commies now within one-half mile on all sides city. Airfield in Commie hands. Defenders' food and ammunition ample for at least several weeks.

Heavy artillery barrage has been directed against city wall last 2 nights particularly to south. CAT pilots report Nationalists still holding main forts just outside wall north and south of city. Estimated 4 to 500 Commie bodies visible from air. Commies attacking primarily at night. Observers believe Commies can penetrate city within next 2 nights unless CAF⁹⁰ drops flares at night to illuminate attackers. Morale of Nationalist soldiers and population now low ebb and fall of city likely in next few days unless effective aid received in form of diversions from Tsingtao and Tsinan (which are not yet being executed). Major artillery by Commies definitely brings new phase to Shantung warfare which will force change in Nationalist strategy or tactics [and render] untenable cities hitherto held as fortresses against Commie attack.

Sent Nanking 126, repeated Department 58.

[STRONG]

893.2361/4-1248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 12, 1948—8 p. m.

[Received April 13—6:55 a. m.]

655. It may be of interest in the Department to know that we were called to Foreign Office this morning and told in strictest confidence that Soviets had handed Chinese Ambassador Moscow protest of alleged action by Chinese 4-motored heavy bombers in flying low over Soviet vessels on high seas off northeast coast Shantung. Planes said to have been marked BF-401, BF-432 and number 188 are alleged to have made several passes at vessel, some as low as 50 meters.

We were told that investigation revealed that no Chinese planes were at locations given and we were asked to inquire of our Navy whether any of ComNavWesPacs⁹¹ planes were in that neighborhood

⁸⁰ Not printed.

⁹⁰ Chinese Air Force.

⁹¹ Commander of U. S. Naval Forces in the Western Pacific.

at the time cited, and if so whether they had noticed Soviet shipping. This we are endeavoring to do.

We were told that this is not first Soviet protest of such alleged Chinese activity and that in previous case Chinese have rejected protest on grounds that planes had right to fly where they had flown. Chinese Government plans in due course reply similarly to Soviet protest, but is interested in knowing whether vessels were actually where they were alleged to be and any other information, including possible nature of cargo.

Department please pass Moscow.

STUART

893.00/4-1348 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, April 13, 1948—5 p. m.

[Received April 15—5:34 a. m.]

159. Mil. situation northeast remains static. Communists immobilized by spring thaw, utilizing time to regroup, resupply and reinforce units. Military Headquarters here believes this operation will not be completed until fortnight or month hence and military lull will continue during such period. Communists show little desire present time push Chch (Changchun) offensive. Sporadic artillery fire replaced [*placed*] on principal airport there has made airlift supply undependable. Second rate Communist troops surrounding city. Present indications are Communists will attempt starve city into submission by tight blockade. Refugees who entered Chch (Changchun) from Kirin when Kirin evacuated and who now desire return Kirin not being allowed leave Changchun. When refugees approach Communist outposts and advise Communists they wish to support Communists they are informed can best serve Communist cause by returning Changchun and consuming food.

Govt continues tight perimeter defense of Mukden showing no indications starting counteroffensive notwithstanding Mukden headquarters alleges Govt troops may institute counteroffensive within 2 to 4 weeks. Main Govt force north Mukden deployed along south bank Liao River. Only small patrols venture across river. Slightly more Govt movements south Mukden where Communists forces weaker and deployed over larger area. Govt showing no indications attempt retake either Liaoyang, Anshan or Yingkow, all of which are weakly defended by Communists.

Wei continues prove his primary worry involves supply. Now believed prior shortage ammunition for American equipment being overcome by airlifts Chinchow-Mukden. Field units which are primarily equipped with non-American arms having their ammunition

supply brought up to desired amounts. This ammunition being made at Mukden arsenal which has had chance build up considerable surplus during recent military lull. Wei now seeking method securing arms for new recruits and replacement worn out weapons now in hands of troops. Wei who has great respect fire power provided by American M-1 rifle, machine guns and 60 MM mortar, anxious equip all troops possible these American arms. Believed that his second priority airlift will be equipment this type. Believed airlifting foodstuffs receiving third priority.

Government reports reinforcements for northeast, while probably exaggerated, appear substantially true. Reports believed accurate received [that] Government Eight Army (called Eight Division) from Shantung now being moved Chinchow. One division reported already afloat. Future use these troops plus [these] recruits now undergoing training in Chinchow area being held as close military secret by Govt. Majority observers, however, believe Communists tactics in expected spring offensive will determine. If Communists push offensive against Mukden, these troops probably will be used to relieve. If Communists merely encircle Mukden, these troops probably will be held in Chinchow area attempt toward any Communist drive southwards along Mukden-Peiping rail line to Peiping-Tientsin area. At best main hope Mukden residents is that troops will be used open corridor Mukden-Chinchow to permit truck traffic between two cities. Hopes and expectations resumption rail traffic Mukden-Chinchow constantly fading. Present time is ideal for Govt make move reopen corridor since bulk Communist troops now north Liao River. A sudden drive by Govt would permit them take and secure corridor before Communists could move forces to thwart move. If Government awaits Communist attack will face 350 to 400,000 combatant troops with only 200,000 well equipped and trained Govt troops.

Communist apparently realizing weaknesses of supply system repairing railroads in their rear areas. ESD ⁹² sources state Lin Piao, Communist leader in northeast, has ordered all rail bridges and culverts in Communist-held territory south Sungari River be repaired by April 15.

Opinions many military observers [that] major efforts extensive Communist offensive will be directed southwards towards North China areas given credence by fact Communists feverishly repairing rail lines west and southwards from Changwu, Goyih sien thru Hsinlitun and Fuhsin (mytel 174 [to] Embassy March 11 ⁹³).

Sent Embassy 219, repeated Department 159.

WARD

⁹² External Survey Detachment.

⁹³ Telegram No. 124 to the Department, p. 143.

Nanking Embassy Files, Lot F 79, 800 Communist

*Memorandum of Conversation, by the Minister-Counselor of Embassy
in China (Clark)*

NANKING, April 13, 1948.

George Yeh⁹⁴ told me today, and C. H. Shen, Secretary to the Generalissimo, had told me the same thing yesterday, that it was commonly considered among Chinese that there was a sharp division between the Communists in China. There were the foreign Communists—the Wai Kung, or those in control in Manchuria—and the Tu Kung, or those native to China, such as Mao Tse Tung,⁹⁵ Chou En-lai⁹⁶ and Chu Teh.⁹⁷ There were sharp differences of opinion between these groups and I would notice that none of the native Communists had permitted themselves to be enticed to Manchuria in spite of the fact, said Yeh, that the Manchurian Communists had invited them no less than three times in the last six months to come to Chiamussu.

Dr. Yeh agreed with my thesis that given this situation, there was a considerable likelihood that even should Mukden fall there would not be an immediate Communist push south of the Great Wall. Time would be needed, he thought, to consolidate the Communist position in Manchuria and for the necessary accommodations with the intramural Communists.

(Shen, having covered almost exactly the same territory yesterday, would tend to confirm that such thought is prevalent in Chinese circles and that there may be a forlorn hope that even should there be continued Communist victories, they will eventually fall out among themselves.)

L[EWIS] C[LARK]

.893.00/4-1548

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 15, 1948—9 p. m.

[Received April 17—4:28 a. m.]

683. From various Chinese sources Embassy has received requests for copy of legislation granting President emergency war powers.⁹⁸ We are now informed by reliable source that Premier Chang Chun,

⁹⁴ Vice Minister for Foreign Affairs.

⁹⁵ Chairman of the Central Committee of the Chinese Communist Party.

⁹⁶ Member of the Central Committee and Politburo of the Chinese Communist Party; head of the Chinese Communist delegation during the Marshall Mission negotiations, December 1945–November 1946.

⁹⁷ Commander in Chief of Chinese Communist armies.

⁹⁸ First War Powers Act, approved December 18, 1941, 55 Stat. 838; Second War Powers Act, approved March 27, 1942, 56 Stat. 176.

speaking for Political Science Clique, as well as Prime Minister, has proposed that Generalissimo be elected President and given emergency war powers. Carson Chang⁹⁹ is reported to be endeavoring to reconcile the articles of constitution dealing with this issue. Indications continue that Generalissimo will, in last analysis, accept election as President, particularly if any constitutional formula can be found granting him emergency war powers.

Our information is that Chang Chun wishes to continue as Premier, but that Wang Shih-chieh, present Foreign Minister, is also seeking that job.

We are told that support by CC Clique of Sun Fo for Vice Presidency has led the three other principal candidates to unite against him and CC Clique. Result of Vice Presidential elections is still anybody's guess although Li Tsung-jen seems to be out.

STUART

893.032/4-1548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 15, 1948.

[Received April 16—5:31 a.m.]

684. The following is summary of important points Foreign Minister Wang Shih-chieh's report to National Assembly April 14. Résumé as released by Government Information Office follows air-mail.¹

Under present grave world conditions China must exert all efforts strengthen United Nations by devising ways to restrict abuse of veto power and establishing as soon as possible United Nations armed forces.

Since V-J Day, United States has given major assistance to Chinese Government by repatriating 2 to 3 million [Japanese] and helping to transport large contingents Nationalist troops to North China from [to] the northeast. Although American opinion during last 4 years has been critical, much of it legitimately so and some due to malicious Communist propaganda, recent decision of American Congress and administration to continue aid to China demonstrates fundamental soundness Sino-American friendship. Funds thus available will be used to (1) balance international payments, (2) obviate necessity further inflation projects. Simultaneously Government will put into execution Chang Chun's 10-point self-help program to increase revenues, cut expenditures, and encourage exports.²

⁹⁹ Leader of the Democratic Socialist Party.

¹ Despatch No. 191, April 20, from the Ambassador in China, not printed.

² See vol. VIII, "U.S. Economic Aid to China" (Ch. I).

Sino-Soviet treaty of 1945 was concluded with aim of promoting perpetual peace and friendliness between the 2 countries. Under this treaty USSR assumed following important obligations: (1) No Soviet troops to be stationed anywhere in northeast except Port Arthur. (2) Soviet Government to afford military and moral assistance only to National Government of China and not afford any assistance to Chinese Communist in rebellion against National Government. (3) Soviet Government not to interfere in internal affairs of Sinkiang. (4) Soviet Government to respect independence of outer Mongolia as condition for China's recognition outer Mongolian independence. If Sino-Soviet relations are not all they should be, fault lies not so much with treaty itself as with its non-fulfillment. Chinese Government will persevere in insisting on strict observance of provisions of treaty.

China's policy toward Japan has not changed since V-J Day. We exact no revenge; we brook no coddling. Coming peace treaty must provide adequate guarantee against resurgence of aggression. Economically we do not oppose any policy that will lead to Japan's recovery. Our policy is to support growth of new democratic Japan neither permitting revival of militarism nor letting her be turned into hotbed of communism. Before conclusion of peace treaty with Japan, China will insist on thorough execution terms of resolution passed February 13 by Far Eastern Commission for prohibition Japanese military activities and disposal Japanese military installations. When such peace treaty to be concluded, China will insist on establishment of an organ of joint control.

STUART

893.00/4-1748: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 17, 1948—2 p. m.
[Received April 17—5:32 a. m.]

699. Tsai Ting-kai³ in strictest confidence today asserted T. V. Soong told Marshal Li [Chi-shen] during recent confidential interview that Government probably will collapse in about 3 months and expressed desire to cooperate with Kmt Revolutionary Committee immediately following Chiang's loss of power. Tsai also asserted Mme. Sun Yat-sen⁴ actively working for Kmt and has obtained wide support in military, political and educational circles. Tsai implied Li Chi-shen expects to stage military revolt within 6 months, but was impressed with Soong's estimate.

Above sent Embassy by Hong Kong April 13. On my recent visit

³ Member of the Kuomintang Revolutionary Committee.

⁴ Sister of Madame Chiang Kai-shek and T. V. Soong.

Canton, Soong gave no indication that he felt collapse of Government is imminent. However, he stated that he had recently seen Tsai Ting-kai and that he felt Tsai would cooperate with him if the Central Government were to disintegrate.

STUART

893.00/4-1948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 19, 1948—10 p. m.

[Received April 20—4: 49 a. m.]

713. National Assembly today elected Generalissimo first constitutional President of China by vote of 2430 to 269. Assembly yesterday passed temporary rebellion suppression authorizing President to take emergency measures free of restrictions imposed by articles 39 and 43 of constitution, but subject to veto of Legislative Yuan under procedure prescribed article 57, section 2. If end of rebellion suppression period not proclaimed prior December 25, 1950, special meeting of Assembly to be called to consider extension of act.

Effect of act is to permit President in conjunction with Executive Yuan to issue emergency decrees at any time without prior concurrence of Legislative Yuan, but subject to revision or revocation by two-thirds majority vote in Legislative Yuan. From what is known of composition of newly-elected Legislative Yuan it appears very unlikely that two-thirds majority could ever be mustered against a decree of the executive, so that act in effect gives President practically unlimited power.

STUART

893.00/4-1948

The Ambassador in China (Stuart) to the Secretary of State

No. 184

NANKING, April 19, 1948.

[Received April 27.]

SIR: I have the honor to submit the enclosed memorandum of conversation between Dr. Hu Shih, Miss Ruth Bean, Staff Member of the Embassy, and Mr. Henry Lieberman of the *New York Times*, regarding the present National Assembly and the presidential and vice-presidential elections. The conversation is of interest in view of Dr. Hu's off-the-record remarks on matters which have hitherto been revealed to us in very strict confidence by certain of the parties concerned.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy

[Enclosure]

Memorandum of Conversation

Participants: Ruth F. Bean, Research Assistant of Embassy
Henry Lieberman, Newspaper Correspondent, *New York Times*, and
Dr. Hu Shih, President of National Peiping University

NANKING, April 15, 1948.

Dr. Hu stated that he had been asked by the Generalissimo to accept the presidency of China several days prior to the Generalissimo's address to the Kuomintang in which he stated that he did not wish to run for the presidency. Dr. Hu stated that he felt that the Gimo was very sincere in wishing to renounce the post, but that the Gimo had become so intrigued with the idea of handing the government over to a non-partisan that he had lost sight of the necessity to control the party members. Dr. Hu believed that only two or three of Chiang's intimates knew of his decision prior to this speech, and this may have been the Generalissimo's greatest mistake. In accepting the Generalissimo's challenge to accept the position, Dr. Hu said that he had foreseen that the Generalissimo might have difficulties with the Party and had made it quite clear that the Generalissimo was under no obligation to him (Hu). On Monday, after a seven-hour session with the leaders of the Kmt, the Gimo told Hu Shih that he had lost the battle and must therefore accept the presidency. At this seven-hour meeting, all members, except six of the younger element who wished to accept the Gimo's suggestion, rejected the Gimo's decision not to run. For himself, Hu Shih stated that he felt that he had received a "reprieve" when the Gimo released him from his promise to run. He said that he would not, under any circumstances, accept any other post in the government, and in particular would not accept the premiership. He had considered the presidency for two reasons: first, because he was impressed by the Gimo's desire to set a political precedent by relinquishing the party's control over the presidency, and two, because the status of the presidency of China, as it is now set up, stands somewhere between the American and French conceptions of President, and that the presidency could be whatever the President would wish to make of it. He practically admitted that had he received the post, he would have been a figurehead, and the Generalissimo would have been the Premier.

Dr. Hu refused to commit himself on the subject of the future Premier, now that the Generalissimo has decided to run. He said that he was "not certain" that Chang Ch'un would cease to be Premier.

He said that the Premier should be an extremely strong and active person.

In regard to the vice presidency, Dr. Hu seemed quite bitter about what he considers to have been Li Tsung-jen's misuse of a letter which he (Hu) wrote when Li announced his candidacy. He said that although he and Li are old friends, the letter had been intended only as encouragement to persons entering the election battle. He admitted that Li is a very strong contender for the post but said that he is personally opposed to having a military personage as Vice-President since the Generalissimo is to be President. He said, "After all, of the five candidates, Sun Fo is the only one with a "modern mind". He remarked that he considered the vice presidential campaigns both interesting and a little messy. He remarked that both Li Tsung-jen and Sun Fo are printing small newspapers for distribution at the Assembly and that Li's paper has been resorting to smear tactics against Sun Fo, making wild assertions and charges of graft, etc. Sun's two papers are less vitriolic and are using the defensive technique of trying to "laugh off" Li's charges. Dr. Hu states that although the Generalissimo obviously prefers Sun, Sun now controls only about 1,000 votes. Hu denies that the Gimo will be the deciding factor in the vice presidential elections. He described the entire situation at the assembly as being "mob rule", and illustrated this by noting the number of amendments which are being placed before the assembly in spite of the Generalissimo's instruction to the Kmt that no amendments should be made for at least two years. Dr. Hu described the Kmt as completely out of control.

The guiding forces in making the proposed resolution for granting the President "emergency powers" were Wang Ch'ung-hui⁵ and Wang Shih-chieh. Dr. Hu felt that this resolution is necessary, because under the existing constitution, the President has powers only in the case of famine, plague, etc. but not in the case of civil disturbance or war. The Legislative Yuan will have the power to rescind these emergency powers when they are no longer needed.

(All the above information was given as an "off the record" interview to Mr. Lieberman. Dr. Hu stated that the information which follows may be "quoted" if modified slightly.)

In regard to the recent student demonstrations at National Peiping University, Dr. Hu stated that the Kmt Secret Police may be considered responsible. He said that there are two types of political parties: 1) The western or democratic type which is a minority party dependent upon the independent voter for its ability to attain a majority and therefore not subject to party discipline and police methods, and

⁵ Member of the Chinese State Council and former cabinet minister.

2) The Communist-Fascist type which must maintain secret police in order to control its limited membership. In his opinion, the Kmt started as the former type, but during the 1923-28 period was transformed into the second type. However, Sun Yat-sen, who was basically Anglo-Saxon in his political thinking, was not satisfied with the second type, and he therefore provided that it should exist only through the "Period of Tutelage". At the close of the Period of Tutelage, the Party should revert to the western type of party. In Dr. Hu's opinion, the Kmt is now in the position of entering the Constitutional phase of government but is full of "hanger's on"—such as the Secret Police and the Party Cliques which do not wish to give up their power. For this reason, the Secret Police are in the position of having to have something to do, and the National Peiping University demonstrations are an example of the work they choose. He said that the students have a justifiable grievance. Many of them are in desperate financial straits as a result of the recent fluctuations in the exchange rate. If he had been in Peiping, the students would have kept in order, but during his absence, the Secret Police issued orders against student demonstrations "and what could one expect the students to do?" He denied that Communist agitation had anything to do with the Peiping demonstration and stated that he does not believe that the Communists have been responsible for many other such student demonstrations. He regarded the whole affair as typical of the Kmt bungling of the student problem.

893.00B/4-2048

*The Consul General at Mukden (Ward) to the Ambassador in China
(Stuart)*⁶

No. 10

MUKDEN, April 20, 1948.

The Consul General has the honor to transmit herewith a copy of a memorandum entitled "Political Alignments within Chinese Communist Party in the Northeast" which was prepared on April 19, 1948, by Vice Consul Allen C. Siebens.

Mr. Siebens' memorandum is very timely and of particular interest for the reason that as the Chinese communists enlarge their holdings in and approach the complete domination of the Northeast it becomes increasingly necessary for them to formulate a definite policy toward the future administration and orientation of this area. Such formulation will in all likelihood develop schisms within the communist ranks, which will sooner or later cause the pro-Moscow clique (which

⁶ Copy transmitted to the Department by the Consul General without covering despatch; received May 12.

is reported to be the most closely knit and determined group, although a minority) to come into the open and take a stand against the more naive but reputedly numerically stronger pro-China clique. The crystallization of ideological differences into organized intra-party factions, which should be a logical sequence to the taking of any such stand, will probably be the signal for determined aggression and ruthless purging within the party by the Moscow-oriented group.

[Enclosure]

Memorandum by the Vice Consul at Mukden (Siebens)

[MUKDEN,] April 19, 1948.

Subject: Political alignments within Chinese Communist Party in the Northeast.

In connection with the subject of possible political alignments within the higher echelons of Chinese Communist leadership, and with particular reference to trends in the Northeast Provinces, I submit information which I received recently from a former Nationalist intelligence agent, a native of the Northeast, who states that he has specialized in North Manchurian affairs and that he is now discontinuing his intelligence activities due to lack of financial support from the National Government. Except where otherwise indicated, the information in this memorandum consists of written and oral data supplied by this source.

According to data, the Chinese Communists commenced in April of 1947 to define their membership in terms of the "Yenan" clique and the "Sungpei" clique. The Yen-an clique was defined as consisting of members who fulfilled at least one of the following qualifications: 1) senior membership in the Chinese Communist Party, 2) reciprocity of "fundamental" training by the Communist Party, 3) membership in the senior executive staff of the Communist Party, 4) membership in the Communist group organized by the Yen-an "government", 5) general membership in the Communist Party, subject to certain undefined (by this source) criteria of loyalty and effectiveness.

The Sungpei clique was defined as consisting of persons coming from the following categories: 1) the former executive staff of the various bodies of the Northeast Salvation Society, which was under the direction of the Communists during the war against Japan, 2) those who were more or less forced to join forces with the Communists for the preservation of personal interests, 3) those who joined forces with the Communists out of sheer opportunism, hoping to obtain positions of influence, 4) members of the former Manchukuo puppet Army and other former Manchukuo puppet officials.

The Sungpei clique apparently is suspected by the Yen-an clique of harboring individuals of doubtful loyalty to the Communist cause. In April of 1947 the Yen-an clique therefore assigned one of its members, Lin Feng, to mix with the Sungpei clique members for the purpose of discovering the general nature of their thinking. Upon completion of this assignment, in September, 1947, Lin Feng allegedly issued a manifesto, quoted below in English translation, of which a copy was given to members of the Communist Party in the Northeast who occupied positions above that of hsien (district) political representative:

"There should be no distinction of an international character in our Party. The Chinese Communist Party especially should be pro-Soviet Russia and should not be against Soviet Russia. However, the comrades who recently joined our ranks, since V-J day, unexpectedly oppose the aims of our Party. They are likewise opposing the activities of Soviet Russia and its will. It is really regrettable. Hence, we should become united. We should be unanimously friendly to Soviet Russia without any distinction of clique."

The Sungpei clique is reputedly characterized as being anti-Soviet and in favor of reaching some type of agreement with the Government. The Yen-an clique is reputedly pro-Soviet, tends to dedicate its first loyalties to the Communist International, and favors waging the civil war until clear-cut Communist hegemony over specific areas has been achieved.

The leading personalities in the Yen-an Clique, according to this report, are as follows (informal remarks mine for purpose of limited reference in the case of personalities who possibly not especially well known):

Mao Tse-tung

Li Li-san (Li Min-jen)

Chu Te

Lin Feng

Formerly temporary member Central Executive Committee CCP, perhaps now permanent member. Influence political rather than military. Reported of Hunanese origin. Reported presently Dean of Communist University at Chiamussu, of which chief function reputedly is to train future administrators and Party leaders.

Lin Ch'eng-tung

Mayor of Harbin. Graduate of Catholic University, Peiping. During period of Marshall Mission was fond of asking officers Executive Headquarters why U. S. as impartial arbitrator continued to supply arms to Nationalists.

Wan Yi

Prominent Communist General in Kirin area. Reputed to have commanded attack against Ssuningk'ai in May, 1947. A Nationalist

General during war of resistance, subsequently imprisoned by Gimo after rivalry with another Nationalist General and, according to one source, because of alleged "liberal" thinking. Joined Communists in about 1944 subsequent to release from prison, did not become very active until after V-J day. Apparently involved in "Peace Plan" for Northeast reported from Changchun and Peiping in latter part 1947 (reference not available here) to Embassy. This gives grounds for doubting validity of including him in Yen-an clique. Seems to have joined Communists out of opportunism.

The leading personalities of the Sungpei Clique, as listed by the source of this report, are as follows: (informal remarks mine, as above):

Chow Pao-chung

Communist military commander Kirin theatre, which has been most important Communist field command. Formerly fought Japanese under a commander Wang Huan-lin. A superior combat commander who perhaps being used by Communists from standpoint expediency and who serving them from same standpoint.

Chang Hsueh-shih

Fourth son of Chang Tso-lin, Manchu[ria] war lord, younger brother of Chang Hsueh-liang. Son of a concubine and reputedly became Chang Tso-lin's favorite son after Chang Hsueh-liang showed signs of personal decadence. Fought Japanese in central Hopei under General Lu Cheng-ts'ao (see below), joined Communists after V-J day. Not more than 40 years old, reputed to have strong following among students of Northeast, many of whom rumored to have followed him to North Manchuria. Reported not to be especially active politically. Under Communists was and still may be president of Northeastern University at Chiamussu.

Lu Cheng-ts'ao

Former lieutenant of Chang Tso-lin and Chang Hsueh-liang. Engaged in military operations against the Japanese in Hopei during war of resistance. Joined the Communists after V-J day when ignored by the Nationalists during taking-over period. Reputed to have with him a substantial number of experienced soldiers and officers who followed him to North Manchuria. Now Deputy Commander under Lin Piao. Reputedly strong anti-Kuomintang. An able tactician.

Yu Tien-fang	} No significant information available about these personalities. Biographical data for these as well as others who are determined to have importance will be forwarded when available.
Chou Wei-pin	
Hsieh Yu-ch'in	
Liu Ch'ing-t'ing	

Conversations with various sources indicate that the group referred to in this report as the Yen-an group is generally cohesive and united while the Sungpei group consists generally of individuals whose most common denominator is that they don't belong to the Yen-an group and are not Party members. The source of the above report agrees that to his knowledge there is no evidence of potential effective re-

sistance within Communist ranks to the policies now being molded by top Party leaders.

It appears that at this time, when tendencies toward regionalism can be detected within Nationalist ranks, the Communists on their part are progressing toward greater unity. The dominant group within the Party apparently has maintained and is increasing a preeminence which will enable it to face with some confidence the ultimate task of extending into the ranks of its present leaders the policies of "settling of accounts" and "screening" which already have been instituted as part of the organizing procedure for Communist areas.

This preeminence is, of course, directly dependent on the continued military success of the Communist forces and on the ability of the Communists to administer adequately the territory they conquer. This second requisite to the continued ascendancy to power of the inner "Yenan" clique is in turn dependent on Communist ability to muster qualified administrative personnel, and present indications are that there is a shortage of such personnel within Communist ranks. Party leaders, therefore, can be expected to delay purges in the high echelons until such time as "reliable" leaders have been developed from within the party. That this process of development is still operating slowly seems to be demonstrated by the reputed appointments recently of a former Manchukuo puppet to the mayoralty of Kirin (Hsing Shih-lien) and of another (Hsi Cha) to the anticipated mayoralty of Changchun.

ALLEN C. SIEBENS

893.00/4-2148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 21, 1948—6 p. m.

[Received April 22—5:14 a. m.]

725. Source close to Chinese Communists and well known to me made following three statements in recent conversation with me. (1) If Generalissimo should withdraw, peace conferences could be resumed. (2) If present National Assembly should be treated as illegal and Generalissimo not remain as head of Government, this would still be possible. He could retain any other position. (3) Chou En-lai now recommends adoption policy luring liberals and people generally to Communist side while carrying out program sabotage against Government until conditions regarding Generalissimo met.

Foregoing substantiates previously reported belief Communists desire negotiated settlement and willing negotiate with Government

provided it not headed by Generalissimo. In light second and third statements we may expect renewed and intensified Communist propaganda attack on legality National Assembly and its deliberations, as representing will of Generalissimo rather than Chinese people, plus increased propaganda and other subversive activities in Nationalist China by Communists. Since they believe present regime confirmed and continued in power by recent American aid, we can also anticipate their adoption more violent anti-American propaganda themes.

Many delegates National Assembly, particularly those from North China and Manchuria, desired play serious role as representatives people in ameliorating conditions their constituencies. However, Assembly was so controlled that expression opinion critical of Government was curbed and not allowed to become basis for parliamentary action, and delegated powers Assembly to amend constitution were curbed except for amendment increase presidential powers. Many, if not bulk, delegates are disappointed in hope Assembly would be vehicle for influencing Government adopt more effective and constructive policies for present emergency. This feeling of frustration was intensified by generally unrealistic or evasive character of reports to Assembly by Generalissimo and Cabinet Ministers. Thus, unless Generalissimo, as new constitutional president, can demonstrate ability form Government capable effective political, economic and military action, which most delegates regard as highly doubtful, Communist attacks on legality Assembly will find increasingly large and sympathetic audience.

We have previously reported mounting dissatisfaction within Government, as distinct from Assembly, over quality Generalissimo's leadership. Assembly and attendant political maneuvering has done nothing alleviate this discontent. Establishment of new Government unlikely give Generalissimo's critics increased confidence his ability improve matters. Hong Kong ConGentel 77, repeated as Embtel 699 of April 17, suggests Generalissimo's opponents may have definite timetable overthrow his Government. Shanghai Consulate General April 16 reported following statement by Kan Chieh-hou, actively promoting Li Tsung-jen campaign, "Li Tsung-jen group wishes take over Government by evolutionary measures in order strengthen it so that it would be in position negotiate end of civil war with Communists". No barrier exists to political cooperation between Li and Hong Kong and South China dissidents. Also there are grounds for belief Li would have support from Moslem elements and from North China leaders. In this situation there exists possibility of formation political coalition designed displace Generalissimo or put him in position where negotiations with Communists possible. While it is generally conceded Generalissimo's opponents fear consequences

of overt move against him, their despair at prospect of continuation of what they consider his inept leadership might at any time provoke them to action. Leaders, northern and northeastern delegates, Assembly have come to take election Li Tsung-jen to vice presidency as indication Government's intention take constructive action in satisfaction their requirements. Thus, failure Li's candidacy might conceivably be factor precipitating serious split in Government.

STUART

:893.00/4-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 23, 1948—4 p. m.

[Received 11 p. m.]

737. Persistent reports from informed sources close Li Tsung-jen state he has made complete break with Generalissimo and in event defeat vice presidential race plans take some "action" type of which unspecified. Other less qualified sources feel this may take form of local military revolt. Bulk of troops in vicinity Nanking are Kwangsi and Kwangtung units whose loyalty, whether to Li or to Generalissimo, is unknown to us. On basis present information we consider armed coup only remote possibility, though conceivable. Li may act in heat of anger at what he considers his ill treatment at hands of Generalissimo and because feeling frustration [over] Kmt party machine's rejection [of] his services to nation in its present crisis. We believe "action," if any, will take place later; probably in conjunction with Hong Kong and south China dissidents with whom evidence suggests Li in close contact. Vice presidential election probably not concluded until June [April] 24 or 25.

STUART

:893.00/4-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 23, 1948—5 p. m.

[Received April 24—10:48 a. m.]

738. Results of obviously secret first ballot National Assembly vice presidential election as follows: Li Tsung-jen, 754 votes; Sun Fo, 559; Cheng Chien, 522; Yu Yu-jen,⁷ 493; Mo Te-hui, 218; Hsu Fu-lin, 214; total votes cast 2760. As no candidate received majority, second ballot to be held April 24. Unless election regulations should be

⁷ President of the Chinese Control Yuan.

changed before tomorrow morning, candidates on second ballot will be top 3 only: thus eliminating Yu Yu-jen, Mo Te-hui and Hsu Fu-lin. Li's large plurality significant in view his sharp criticism of Government, his advocacy of reform and fact, well known among delegates, that Gimo opposes his election. Cheng Chien's appearance among first three completely unexpected; as was Yu Yu-jen's failure to place. Failure to hold second ballot afternoon April 23 indicates Kmt leaders seeking time to devise means of coping with these unexpected developments.

STUART

893.00/4-2448: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 24, 1948.

[Received April 24—7:30 a. m.]

745. Results second vice presidential ballot: Li Tsung-jen first with 1163 votes; Sun Fo second with 945 and Cheng Chien third with 616. As no candidate obtained legally established majority of 1523, third ballot to be held April 25 on same 3 candidates. If still no majority, fourth ballot will be held on top 2 candidates third ballot and candidate with majority of ballots cast will be declared elected.

Voting has been conducted in orderly and proper manner but violence flared briefly outside of Assembly Hall on afternoon of April 23 when group of Kwangtung delegates and others, led by Chang Fa-kuei, incensed at publication of article derogatory to Sun Fo, wrecked premises of *Chiu Kuo Jih Pao*.

STUART

893.00/4-2548: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 25, 1948—4 p. m.

[Received April 25—7:37 a. m.]

747. In early morning hours April 25 Cheng Chein and later Li Tsung-jen announced retirement from vice presidential race, leaving Sun Fo as sole remaining candidate. At Assembly meeting this morning, amidst considerable disorder on part delegates, meeting was adjourned without any action being taken. This morning local vernacular press carried stories retirement both candidates, and Li's supporters issued statement in form advertisement that his withdrawal is in interest [of] securing national harmony and to secure vindication from scurrilous rumors being circulated to effect that he intends force

Generalissimo leave country. At morning Assembly meeting, with Yu Yu-jen acting as chairman, delegates stated that Li's retirement from race could only be effected with concurrence his supporters, and appealed to chairman for agreement. Yu Yu-jen, weeping copiously, stated that whole affair was regrettable and that new set of elections should be held.

As we have previously reported, Li has been under heavy pressure from Generalissimo to withdraw candidacy and Li has consistently refused. Li's associates say that Li is interested in vice-presidency as platform for criticizing shortcomings of Government and suggesting remedial measures, and that he will retire from army and do so as private citizen if his campaign fails. Li's supporter, Governor Li Pin-hsien of Anhwei, has been target of organized student demonstration and local vernacular paper supporting Li and critical of Sun Fo has been wrecked by mob, reportedly led by delegates supporting Sun Fo, without interference from police. Presumably reliable source informs us the Generalissimo has summoned Pai Chung-hsi⁸ and directed him on pain secret court martial to switch support from Li to Sun Fo.

Our initial reaction these developments is that Li has been subjected to extremely heavy pressure from party machine and Whampoa army clique. He defies this pressure by resignation candidacy, thus putting self in position being sought by office rather than seeking office, in compliance traditional Chinese practice, and so focusing attention general public and all interested parties on opponents' maneuvers prevent his position. In free and uninfluenced election Li would almost certainly have majority vote. Bulk of delegates, desirous effecting efficient government and frustrated by machine control Assembly, equate Li's election with satisfaction their aims. Effect of latest developments on temper delegates may be judged by remark of one, "this is worse than [than] Tsao Kun's election,⁹ at least he paid for his".

We repeat, at this stage tempers both sides running high, and eventual course action adopted by either unpredictable. However, there is no doubt but what Kmt is severely split over matter of principle, in distinction ordinary party cleavage on matters self-interest. Principle at stake is efficacy present leadership and its policies. It is not difficult to conceive of situation where attempts would be made reject this leadership, or where leadership, including Generalissimo and closest supporters, would prefer retire in response popular de-

⁸ Chinese Minister of National Defense.

⁹ For election of Marshal Tsao Kun in 1923, see telegram No. 332, October 5, 1923, from the Minister in China, *Foreign Relations*, 1923, vol. I, p. 514.

mand, since Generalissimo has not formally accepted presidency and is understood not yet to have made up mind accept.

In present circumstances ultimate consequences difficult foretell. Reliable sources state resolution situation will be forthcoming next 24 hours. Will continue report significant occurrences.

STUART

893.00/4-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 26, 1948—4 p. m.

[Received April 26—9:31 a. m.]

748. On afternoon 25 April Sun Fo announced withdrawal from vice-presidential race stating that he felt it would be undemocratic to run without opposition. His withdrawal was made at Generalissimo's direction. In afternoon Central Executive Committee Kuomintang met and passed resolution stating candidates' withdrawals all invalid. Assembly not convened today. Li Tsung-jen's associates state that his withdrawal was political maneuver designed to focus attention on threats and intimidation directed against his supporters by Generalissimo, Kmt bosses and Whampoa clique. He made decision when Generalissimo ordered Pai Chung-hsi withdraw his support Li under threat punitive action and coordinate his move with Cheng Chien. Pai yesterday issued statement that Li withdrew because his supporters continually subjected intimidation and under those conditions free election impossible. Cheng's cooperation with Li seems to have begun when Generalissimo summoned him, asked him to withdraw and throw vote to Sun Fo, and offered reimburse him entire costs his campaign, which proposition Cheng refused.

Intense political maneuvering by all factions continues today and even best informed circles are bewildered and uncertain as to outcome. However, it is abundantly clear that recent developments have seriously split Kuomintang, rank and file of party and independents, including probably majority civil servants and army officers, have come to believe that country can survive present crisis only through more liberal effective vigorous leadership than has been evident in past. This group hoped that such leadership might be forthcoming in orderly manner through implementation of new constitution. Interference of Generalissimo and party machine with elections to Assembly and the new Yuan, with deliberations of Assembly on constitutional amendment question and flagrant intervention in vice presidential election has thoroughly convinced those desiring effective

constitutional government that Generalissimo intends use new constitution as vehicle for continuation his personal rule in same close cooperation with CC Clique dominated party machine and Whampoa Clique dominated High Military Command as has obtained in past.

There seems little doubt but what vast majority politically articulate Chinese who are not intimately associated with Kmt party machine are aroused over present situation and place blame on Generalissimo. In early stages vice presidential contest, Generalissimo left Sun Fo campaign in hands Chen Li-fu but intervened personally to influence outcome, despite his pledge of free election, when Sun's defeat appeared likely. Character of Generalissimo's intervention has definitely outraged many of his supporters. Hitherto, respect for Generalissimo's service to nation, tendency regard him as indispensable man and fear of retaliation, have combined to prevent non-Communist elements in Nationalist China from acting or speaking covertly against him. However, action of Cheng and Li and statement of Pai on reasons for Li's withdrawal forces development of political alignments over issue of democratic constitutional government versus personal autocratic rule through entrenched reactionary cliques. Notwithstanding native Chinese genius on techniques of political compromise, fact that present issue is clear-cut and open and involves popularly supported challenge to vested authority by groups convinced continuation that authority in power must inevitably by reason its autocratic character and long record failure and incompetence involve country in ruin, mitigates strongly against lasting compromise.

Assembly is now slated reconvene morning of 27th with delegates voting on acceptance withdrawal each candidate in turn. Li's managers now claim 1800 votes. Bulk of Kmt now out of control by party leaders, Youth party is insisting on free elections and Carson Chang's Democratic Socialists are cautious and irresolute. In this situation it appears entirely possible that democratic, constitutional and anti-Generalissimo propensities of delegates may result in Li's election. How Generalissimo would accommodate himself to such defeat involving rejection his leadership is impossible foretell. One of many possibilities is refusal to accept presidency. Despite the many disturbing features in this situation, we are encouraged by the undeniable fact that democratic forces are now appearing and making themselves felt in protest against autocracy and reaction.

Following conference, all three contenders have just announced intention re-enter race.

STUART

893.00/4-2748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 27, 1948—11 a. m.

[Received April 27—4:10 a. m.]

753. Confusion which has characterized political maneuvering vice presidential race continued through most of yesterday, but some clarification apparent this morning. On morning 26th Hu Shih, speaking on behalf special committee appointed by Central Executive Committee Kuomintang to deal with impasse in vice presidential elections, stated that all candidates had agreed to reenter race. Shortly thereafter Li's followers began passing out word that Li would not run and was planning return Peiping. At this juncture Generalissimo informed Hu Shih committee of his pleasure at decision all candidates remain in race, exhorted party to act in accordance his earlier expressed wishes that delegates have freedom of choice in voting and stated that candidates should not spread slanderous rumors against one another. Adding to confusion Li himself then told correspondents of his intention to abandon race and fly to Peiping today. This statement was immediately denied by Hu Shih. Generalissimo summoned Li for conference last night and after hour's discussion persuaded Li to reenter contest. Assembly will meet tomorrow to proceed with elections.

Li's stand has strengthened his position and gained sympathy delegates who continue blame Generalissimo and party machine for undemocratic interference in election procedure. Youth Party and Democratic Socialists have issued statements calling on Kuomintang to be "more democratic". On basis present information it appears that liberal and independent elements have successfully challenged control of CC clique dominated party machine and election of Li seems likely.

Pouched Shanghai, Hong Kong.

STUART

893.00/4-2748 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, April 27, 1948—1 p. m.

[Received April 27—9:51 a. m.]

933. Reference statement in second paragraph of Embtel 725, April 21 to effect that, since Communist supporters believe present regime confirmed and continued in power by recent American aid, more violent anti-American propaganda campaign by Communists can be anticipated.

Of the politically alert population of Nationalist China, there is a very large proportion which is fundamentally anti-Communist and anti-revolutionary; which considers however that Nanking regime as presently constituted, must inevitably collapse through incompetence, corruption, and lack popular support against Communists; which feels that drastic purge and reform of that regime offers only hope of salvation; and which views American aid prior to revitalization of Government with open hostility or grave misgivings as merely serving to confirm rotten regime on its path to disaster. Hopes of these people, who include students, intellectuals, businessmen and many others, have to significant extent been pinned on National Assembly and especially on Li Tsung-jen's candidacy which, rightly or wrongly, many identify with reform and progress.

If NA proceedings result in Li's election or other developments involving real change in complexion of Government and introduction of new vigorous elements which offer some promise of effecting drastic reform, there is good reason to hope that this important segment of articulate Chinese public will largely swing over to support of liberal forces in Government and of American aid.

If on contrary results of NA are rejection of Li and other popularly regarded "liberal" forces and the confirmation of stand pat Kmt politicians in their domination of Government and influence over Generalissimo, consequent save [*wave?*] of disappointment and revulsion against Government, whether or not productive of immediate violence, is bound to be serious. Many of those who have been wavering with respect to support of Government will turn toward Communists and revolution as only alternative. Their opposition to American aid would be revived and the coincidence of the aid's timing with NA's confirmation of rightist control of Government would invite new wave of anti-American feeling.

Despite American aid, or really because of it if it does in fact assist continuance of CC control, large masses of people will follow exiled liberal leaders in supporting Communists' civil war or at best apathetically regard Nanking efforts. Either will result in an inevitable extension of civil war with further destruction and chaos in larger and larger areas where Chinese Communism of a more and more Soviet nature can take root and thrive.

That Communists are preparing to exploit such contingencies would seem indicated by report that Chou En-lai is advocating more emphasis on wooing of liberals (Embtel 725, April 21 to Department) and by article by Communist "theoretician" Jen Pi-shih, published in April issue of Hong Kong Communist publication *Masses*. While we have not seen this article, we have learned from two good sources that it has caused excitement in local intellectual and liberal circles; and

that its main thesis is an admission that Communists have been too severe toward landowners (small, middle and large), industrialists and intellectuals, and will have to treat them more considerately.¹⁰ With respect to intellectuals, article is said to be aimed directly at those who have lost faith in Govt but have hitherto feared persecution by Communists and to play skillfully on theme of "futility of supporting rotten regime" when good existence under Communists is guaranteed.

In summary, results of unclarified US aid to China program will be: (1) strengthening of far left groups; (2) indefinite continuation and extension of civil war; and (3) fostering of anti-Americanism in liberal groups through latter's claim of non-support and in reactionary groups by their claim of inadequate support.

It would seem to us that, while situation now evolving at Nanking thus holds serious potentialities from American standpoint, something can be done towards softening anti-American outburst which may eventuate.

Question has been asked locally why US official treatment to press has not been made clarifying our position as one of giving aid to Chinese people regardless of their Government provided Government is not Communist dominated, and that US Government is therefore completely disinterested in outcome of Nanking political maneuvering. Opportune time for such statement would be on release of terms of letter of intent. If properly worded, such statement would serve to correct popular misunderstanding that American support of Generalissimo means underwriting his reactionary coterie, to counteract much Chinese Communist propaganda, and to enhance or help salvage (depending on NA outcome) American prestige among Chinese liberals.

CABOT

893.00/4-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 29, 1948—8 p. m.

[Received April 29—7:46 a. m.]

776. Following the agreement of three leading contenders to withdraw their withdrawals from the vice presidential race and vote of

¹⁰ In despatch No. 66, April 29, the Consul General at Shanghai quoted a pertinent section of Jen's article in question: "Toward students, teachers, professors and intelligentsia in general, we must avoid adopting any adventurist policies. What is our view of the intelligentsia? The majority of professors, teachers, scientists, engineers, artists, et cetera, come from landlord, rich peasant or capitalist families. But the work they themselves do is a sort of mental labor. Toward these mental laborers, the democratic regime should adopt policies of protection, and should as much as possible win them to serve the people's republic." (893.00/4-2948)

the Presidium of National Assembly to continue with election, third ballot was held April 28 and resulted in 1156 votes for Li Tsung-jen; 1040 for Sun Fo; and 515 for Cheng Chien. The decrease in Li Tsung-jen's support and the general attitude and apathy apparent during third ballot led many observers to surmise that possibly sufficient pressure and coercion had been brought to bear to insure that on the fourth and final vote Sun Fo would emerge victorious.

Fourth ballot held April 29 and resulted in 1438 votes for Li Tsung-jen and 1295 for Sun Fo. Presidium immediately thereupon proclaimed Li as Vice President. The voting was quiet and orderly until near end of counting when it became apparent that Li would win and his supporters became increasingly noisy in expressing their approval of vote and centered their demonstrations around Madame Li, who was present on floor of Assembly.

Public interest in Nanking during fourth ballot was apparent. Proceedings of Assembly were broadcast and it seemed as though every radio in Nanking was tuned in on it with crowds of people gathered in streets wherever a radio could be heard.

Embassy will subsequently elaborate its estimate of what this development means. The preliminary appraisal is that it represents a smashing defeat for the CC clique, a serious setback for Generalissimo whose determined support of Sun Fo was no secret, and a successful challenge by opposition elements of party to dictation by party machine centering around CC clique and Whampoa clique. It remains to be seen how the Generalissimo will accommodate himself to these developments and whether opposition elements can organize effectively to implement reform program which Li professes. Li appears to have been rallying point for all discontented and opposition elements in Assembly. Question now is whether he can provide effective leadership which can and will coalesce this feeling into an effective and progressive opposition.

STUART

893.00/4-2948

*Memorandum by the Chief of the Division of Chinese Affairs
(Ringwalt) to the Director of the Office of Far Eastern Affairs
(Butterworth)*

[WASHINGTON,] April 29, 1948.

The memorandum of conversation between Mr. Clark and Dr. Yeh ¹¹ makes two points: (1) that there is a sharp division between the Wai Kung, or doctrinaire Communists, and the Tu Kung, or native Com-

¹¹ On April 13, p. 192.

munists; and (2) that even with the fall of Mukden there would not be an immediate Communist push south of the Great Wall.

There is of course a historical basis for the contention of George Yeh and C. H. Shen that there is a sharp division between the Communist leaders in China. You are aware that, as a result of the failure of the Soviet-directed Chinese Communists to obtain and retain dominance over the industrial workers in the larger cities in Central and South China, Li Li-san and other Wai Kung leaders were expelled from China in the late '20s and the Tu Kung led by Mao Tse-tung obtained complete mastery over the destinies of the Chinese Communist Party. Because of the friction between these groups as well as because of the blockade of Yen-an by the Chinese Nationalist Forces, the Wai Kung had little influence in China until after V-J Day and the occupation of the greater part of Manchuria by the Communists on the withdrawal of the Russian Forces. During 1946, however, Li Li-san and other Wai Kung leaders returned from Moscow and established themselves in Harbin. To what extent these Wai Kung now control the activities of the Communist political thinking in Manchuria is hard to estimate. I doubt, however, whether they have had much influence over the Communist Army which is fundamentally a Chinese Army with roots in the soil. Even in Manchuria the officer and non-commissioned officer corps is comprised largely of Chinese from south of the Wall. The most famous Chinese Communist military leader in Manchuria, Lin Piao, is from Hupei, and Yun Tse, the Inner Mongolian Communist, has recently established himself as the leader of the Manchurian Mongols centered around Wangyehmiao. In brief, then, it is my personal opinion that the political influence of the Wai Kung south of the Great Wall is unimportant whereas the military influence of the Tu Kung is predominant in Manchuria. I doubt, however, whether the rivalry between these groups is such as to affect materially their close cooperation at least for the present.

With regard to the second point in the memorandum, it seems likely that a substantial proportion of the southern Chinese now in Manchuria will wish to return south if Mukden falls. Certainly there would be no need for such a large Communist military establishment in Manchuria after its conquest had been completed. It is my impression that the Communists would wish to capitalize almost immediately on the prestige resulting from the complete conquest of Manchuria to extend even further their sphere of control south of the Wall. An army to be successful must be active. Perhaps Mr. Yeh is only whistling in the dark.

A[RTHUR] R. R[INGWALT]

893.50 Recovery/4-2748 : Telegram

The Secretary of State to the Consul General at Shanghai (Cabot)

WASHINGTON, April 30, 1948—7 p. m.

791. Publicity re Congressional hearings on question military aid to China ¹² has probably overshadowed thesis China aid program designed help Chinese people as indicated in Dept's proposed China aid bill. One of major policy information guides, listed in Deptel 300, Feb 13 [17] ¹³, was, however, that purpose program was to benefit Chinese people. Emphasis should continue to be given to this theme. (Sent Shanghai as 791, repeated Nanking as 653).

Issuance statement along lines suggested final para urtel Apr 27 ¹⁴ might well be interpreted here and in China as hedging on our support of Gimo, thus providing target for criticism here and in China and tending weaken Chi Govt. Difficult to see how we can correct popular "misunderstanding" that U. S. support Gimo means underwriting his reactionary coterie without giving impression we are, in effect, disowning the Gimo himself or are at least indifferent continuation his rule.

Dept therefore believes most useful course would be continue handling news and comments re program in manner designed emphasize its benefit to Chinese people by helping meet Chinese economic needs.

Embassy's comment requested on Shanghai's suggestion.¹⁵

MARSHALL

893.00/5-148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 1, 1948—1 p. m.

[Received May 2—1 : 30 a. m.]

782. Past week has seen considerable deterioration Government military position in China proper, involving loss Weihsien and isolation Hsian. Weihsien fell before exceptionally heavy Communist assault in which heavy artillery was used in reducing strongly fortified well-defended and well-supplied position. Adjacent Nationalist commanders failed provide relief, which was within their means. Air force cooperation was faulty and largely ineffective. Over-all coordination and direction of entire defensive campaign was conspicuous by its absence. Since Government naval blockade ineffective,

¹² *United States Foreign Policy for a Post-War Recovery Program: Hearings before the Committee on Foreign Affairs, House of Representatives, 80th Cong., 1st and 2d sess., pts. 1 and 2.*

¹³ No. 270, February 17, to the Ambassador in China, vol. VIII, "U.S. Economic Aid to China" (Ch. I).

¹⁴ No. 933, p. 209.

¹⁵ See Embassy's telegram No. 860, May 13, 9 a. m., p. 229.

Communist capture Weihsien gives them uninterrupted line communications from Liaotung peninsula to northern Kiangsu and Government's lack capability take offensive permits Communists concentrate for major drive toward Yangtze delta should they so desire.

Although details are lacking, isolation Hsian appears to have followed collapse Hu Tsung-nan's defenses in Wei River valley. While Kansu troops are reported to be regaining control Hsian-Lanchow highway, it is not likely that they can drive Communists from Hsian plain. Northern defenses Szechuan are now threatened.

Other fronts relatively quiet. Manchurian Communists continue regroup and rehabilitate rail communications. On bases present information, their intentions regarding next offensive move are unpredictable. Communists now control over half Hupeh Province, mainly north and west Hankow. In this area they are reported recruiting on large scale and reorganizing their forces, particularly in vicinity Shasi. Some units reported to have crossed river to west of Tungting Lake and Government has established field headquarters Changte to counter such move. Small Communist cadres, probably organizers, are reported to have crossed Yangtze near Kiukiang and Government appears unable dislodge Communist force operating north bank Yangtze near Nantung.

It is our belief that Communists now engaged in building up military strength and concentrating in preparation future major offensives. Up to present Communists have won economical victory through reduction Government strength by steady attrition and through keeping Government on defensive by isolation of the several fronts, sporadic raids and constant harassing of Government communication. Given concurrent progressive deterioration Government's economic and political positions and seeming inevitability their general collapse, it is difficult to see why Communists should abandon present successful strategy which involves only slight expenditure manpower and material.

However, in Weihsien battle Communists suffered extremely heavy losses to take point which has no immediate value to them, but which would have great strategic importance if Communists were to embark on massive offensive toward Yangtze delta. Similarly, Communist lodgements on Hsian plain and western Hupeh can be explained as desire concentrate in places of strategic importance to future large scale offensives.

We believe these developments may indicate change in Communist strategic concepts. One possible explanation such change is feeling on their part that American aid, particularly in its military aspects, will so improve Nationalist military position that they must expedite completion their military program before Nationalists develop ca-

pability forestall them. Also Communists doubtless believe our military aid will be increased to protect economic aid if necessary. Finally, Soviets, desiring see rapid spread Communist control to prevent possible development American bases on Chinese soil in event war between United States and Soviet Union, may be advising this apparent change strategy.

STUART

893.00/5-148

The Minister-Counselor of Embassy in China (Clark) to the Director of the Office of Far Eastern Affairs (Butterworth)

NANKING, May 1, 1948.

DEAR WALT: Whatever the ultimate result of the recent session of the National Assembly and the elections of the first President and Vice President under the Constitution, it seems to me that two phenomena were made clear: Firstly, the Gimo, by masterful political strategy, coupled, I believe, with at least a certain amount of sincerity, refused to be a candidate for the Presidency, with the result that he finds himself elected to that office with confirmed authority, albeit somewhat battered by the fray. He succeeded in establishing his indispensability at this stage, even though his policies have been repudiated, and in demonstrating that he, and he alone, can hold together the present governmental structure based, as it is, on the support of more or less independent Generals, with their more or less personal armies, who are restrained from declaring their complete regional autonomy by self-interest, of course, but also largely by their loyalty to the Generalissimo. Should he disappear from the scene at this time, they would inevitably revert, I believe, to the regionalism that existed prior to the march north of the Kuominchun and we would see an era of *sauve qui peut*.

Secondly, the liberals, or the reformers, or whatever you wish to call them—those who were rapidly becoming desperate in their desire to bring new life into a government that was slowly, but surely, committing suicide—were able to demonstrate and make effective their strength by rallying behind Li Tsung-jen, who has emerged, whether he is qualified or not, as the great reformer, and elected him Vice President despite the most violent efforts of an efficient CC Clique machine, supported by an irate, but arrogant and not too adept Generalissimo. The reactionary, who agreed to a secret ballot in that election, will now rue the day he did so. I am told that when Li Tsung-jen's strength became evident, the Generalissimo called Chen Li-fu on the mat and there were heated words as to why Chen had

not been able to control the vote as he had promised. Maybe now Chen will once more, as he has in the past, express a desire to visit the U. S. to study "democratic institutions"!

Our interest during the past few weeks has, of course, been largely centered on these meetings of the National Assembly. Its activities have had pride of place in the press and have formed the topic of conversation everywhere. Even the shopkeeper, avid for his gain, kept one ear on the radio, while the other was listening to his customer. Also, wherever there was a loud-speaker on the streets of Nanking, crowds could be found listening to the results.

Going back a little bit, our information indicates that in the elections to the National Assembly and to the new Legislative Yuan, as well as during the first meetings of the Assembly, it was evident that the party bosses of the Kmt regarded the establishment of constitutional government as an exercise in machine politics. It was obviously their intention to use the party machine and the prestige of the Generalissimo to control the new Government as they had the old, and they were prepared to use whatever means were necessary to accomplish this end. They were aghast, therefore, when the Generalissimo, without, I believe, real prior consultation with his supporters, announced his intention not to stand for President. It was the decision he had made in Kuling over the Chinese New Year and which had been long and expectedly awaited although no one, I believe, had previous knowledge of the nature of the decision he had made. To the party machine, the Generalissimo was an indispensable man. He had helped create and had protected the machine and since he ruled through it, it was indispensable to him as well. The Whampoa Generals, the Paoting Generals, and the Generals of no Clique whatsoever, including the Mohammedan Generals of the West, all of whom care little for the Nationalist Government, insisted that if he left the Ship of State, so would they. This situation cannot have been unknown to Generalissimo, and it is for this reason, even though we do not question his sincerity, that we credit him with a masterful political tactic when he refused to stand for President. Having let himself be persuaded, which, if our assumption is correct, was not a difficult task, that he was indispensable to the country, the circumstances of his past forced him once again to strive to bring the party machine with him in full power into the new Government, to exclude its opponents, and to amend the Constitution so as to make the new Government susceptible to his personal control as had been that Government which was passing. Through an amendment to the Constitution, he obtained the full powers necessary to maintain his personal control and he sought continued power for the party machine through his support of Sun Fo for the Vice Presidency, with every indication

that the party machine would find some way to see that Sun Fo remained also as the elected President of the Legislative Yuan.

The machine had rigged the elections to the National Assembly and had thus retained an almost solid bloc of delegates which could be strictly controlled, and which included politically experienced individuals well able to stir the Assembly and to control its deliberations. Also, it had at its disposal a disciplined corps of political workers skilled in such minor political arts as bribery and intimidation. It had a controlled press, which could be counted on not to expose its more flagrant violations of the amenities of democratic procedure and it had at its service, at least so most delegates thought, the secret police. Finally, through its affiliation with the Whampoa Generals, an affiliation so close as to make them, to all intents and purposes, a part of the machine, it had with it the bulk of the Army High Command.

Thus, the party machine was an organized political force of no little magnitude. Yet it was committed in support of reactionary principles, which had been implicitly, if not openly and explicitly, rejected by the rank and file of the Kmt, and by independent individuals and groups within Nationalist China. These principles involved essentially the perpetuation of the personal autocratic rule of the Generalissimo and his closest followers.

The opponents in the Kmt of this reactionary leadership had, and still have, no cohesive organization. Such union as is found among them is based on their common dissatisfaction with the Government's lack of concrete achievement, on their well-grounded fear that the Government, as at present constituted, cannot prevent the further spread of Communism, and on their belief in democracy and in constitutional government. A benevolent despotism had remained despotic while ceasing to be benevolent. The community of interest and views among opponents of the party machine would not, in the ordinary course of events, suffice to move them to united action, yet the flagrant intervention of the machine in the elections and the all too obvious intervention of the machine and of the Generalissimo in the deliberations of the Assembly and in the Assembly's Vice Presidential elections, moved most delegates to consider ways and means of protecting their interest and of representing their constituents.

As a result, revolt against party solidarity developed. The clash came to a head in the Vice Presidential elections. Independent delegates had shown disgruntlement when the party machine, during the meetings of the Assembly, had successfully prevented free debate of the shortcomings of the Government, and they felt further frustration when the Generalissimo and the party machine intervened, all too openly, to prevent the election of Li Tsung-jen. (We are told on

good authority that the Generalissimo called in Li Tsung-jen and demanded his withdrawal and that at one stage he offered Ch'eng Ch'ien, who was running third, complete reimbursement for all his campaign expenses if he would withdraw in favor of Sun Fo.) The frustration of these independent delegates and of the disgruntled members of the Kmt coalesced in support of Li Tsung-jen as the one who had campaigned for reform.

Aroused by this evidence of mounting dissatisfaction and organized opposition, the Kmt machine threw all its resources into the battle, vilifying Li and intimidating his supporters. These tactics aroused violent resentment and Li, in a masterful manoeuvre, announced his withdrawal from the race in order to demonstrate clearly the nature and source of the attacks to which he and his supporters were being subjected. There is evidence that his withdrawal was concerted with that of Ch'eng Ch'ien. As was anticipated, Li's move, supported by that of Ch'eng Ch'ien, gained the sympathy of the general public and of those delegates to the National Assembly not under strict machine control. Blame for the situation was increasingly placed on the Generalissimo, and since Ch'eng Ch'ien, the only other non-machine candidate remaining in the race, had withdrawn in sympathy with Li, the Generalissimo was forced to direct Sun Fo to withdraw his candidacy as well. Also, in order to persuade Li and Ch'eng to re-enter the race, the Gimo was compelled to give absolute assurances, both private as well as public, that the Vice Presidential race would henceforth be free and without party duress, each member of the National Assembly being allowed to vote as his conscience dictated. Incidentally, to make sure the Generalissimo didn't go back on his promises, the Assembly delegates took elaborate precautions to see that the vote was not only secret, but that the ballots were also accurately counted. The result of all this, as is known to you, was the election of Li Tsung-jen as Vice President by 143 votes (1438 to 1295), or, in other words, a photo finish.

It remains to be seen whether the emergence of Li Tsung-jen, as what might be called leader of a reform group, can be confirmed. Those who supported him are of divergent views, and of his qualities as a political leader, we know little, though he shows promise. We can only hope that these stirrings of democracy which were so evident in the Vice Presidential election may grow into legitimate and effective opposition to the reactionary elements in the Government. What existed as opposition to the Generalissimo and to the Kmt party machine was, in essence, we believe, a demand for change and reform which had not yet become an organized political force. Having shown sufficient strength to elect Li Tsung-jen as Vice President in spite of the strenuous efforts of the CC Clique, backed by the Gen-

eralissimo, the reformers now have a spokesman, and their chosen leader can speak with authority if he plays his cards well. Nevertheless, the Generalissimo and the machine control the key posts in the Government, and how they will accommodate themselves to the pressure for change remains to be seen. We can only hope that the liberal elements which have thus expressed themselves will be able to assert strength toward reform within the Government and within the country sufficient to give some hope that the present onrush of Communist expansion may be checked and some day reversed.

In the meantime the lull in military activities does not warrant, we believe, any confidence in the ability of the Government at the moment to checkmate any Communist move which Communist strategy may dictate. The Generalissimo announced on New Year's that the Communists would be of no military importance between the Yellow and Yangtze Rivers in six months. Yet months have gone by and we see little sign of action to accomplishing that end. Weihsien in Shantung, the first walled city to go by frontal attack supported by heavy artillery, is only one more example of the incapability of the National leadership to direct an offensive. Here, as elsewhere, the Nationalist troops encamp behind walls and wait for the Communists to come pick them off. Present indications are that the Communists may by-pass Mukden, and strike toward Chinghuangtao. Yet we see no real activity to counter this move. Fu Tso-yi in Peiping, as has Wang Yao-wu in Shantung, is showing increasing tendencies toward independence, and we find it difficult to believe that he will remain in that area under serious Communist threat. We are watching the situation closely in hope that we can give Americans in that area sufficient advance warning should we become convinced that Fu Tso-yi will not fight, but will withdraw toward Chahar and Suiyuan. Wang Yao-wu has already warned Americans in Shantung to seek places of safety, and the situation in Central China looks none too good. There are already creditable rumors that the Communists have penetrated south of the Yangtze and that we will be hearing in due course from new concentrations. Unless some means can be found to revive the spirit of the Nationalist troops and possibly, just barely possibly, Li Tsung-jen and his backers may be able to accomplish this, there seems little hope of effective resistance to continued expansion of the Communists where and when they will.

We have been interested in the failure of Roschin, the former Soviet Military Attaché in Nanking, who has been Soviet Ambassador Designate here, to return to Nanking. We were told the other day that he has asked for a visa and is expected here early in May. We feel that the timing of his arrival has some meaning, but as yet we have no good guess.

One element in the Li Tsung-jen candidacy which has worried us, has been the possibility that he might seek an accommodation with the Communists, and there is recent evidence that he may have had, and may maintain, contact with the Kmt Revolutionary Committee in Hong Kong. It is not entirely beyond the realm of possibility, therefore, that Roschin's return to Nanking at this time may in some way be connected with developments in the National Assembly.

Very sincerely yours,

LEWIS CLARK

89:100/5-348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 3, 1948—7 p. m.

[Received May 4—6:42 a. m.]

798. The National Assembly which was convoked solely to elect the president and vice president developed quickly into something far more basic. Success of Generalissimo's 1948 version of the retreat to Fenghua¹⁶ confirmed him in power personally, but struggle over vice presidency ended in rejection of his policies. Unquestionably the vice presidential race was the most significant development in the Assembly. There can be no question but the balloting was above the slightest suspicion of fraud. Sun represented the dead reactionary aim of the party machine and his election would have meant the unchallenged continuation of the old political policies, preservation of vested interests, and the elimination of any prospect of that revitalization of the party and Government which was necessary to give hope of ultimate success in the face of a dynamic Communist movement. Whatever he may turn out to be in practice, Li Tsung-jen during the campaign became the symbol and the rallying point of discontented and progressive elements who had lost faith in those controlling the Government and who demanded new faces and new and more effective policies. Li represented a demand for effective government in contrast to the lack of achievement of the discredited group in power. Lacking experience or organization, his supporters challenged the party machine and won. It now remains to be seen whether Li can provide that kind of dynamic leadership which will coalesce these elements into effective opposition and give substance to the program on which Li based his candidacy.

Li's victory was a disastrous blow to the CC clique which not only failed to deliver in one of the most important jobs ever assigned to it

¹⁶ Fenghua was Generalissimo Chiang Kai-shek's birthplace in Chekiang; he retired there upon resigning from the Nanking Government in August 1927. For correspondence on this subject, see despatch No. 1204, September 22, 1927, from the Chargé in China, *Foreign Relations*, 1927, vol. II, p. 22.

but also seriously undermined the position of the Generalissimo himself by misinforming him on what he could expect. Most of the opposition criticism was directed at the person of the Generalissimo for attempting to nullify democratic procedures. Much of the criticism directed at him should more properly have been turned on the CC clique, but the adverse effect on his prestige exists nonetheless. The Generalissimo's position is made doubly difficult by the fact that he openly and bitterly opposed the man with whom he must now work. It remains to be seen how he will accommodate himself to this situation. In this sense he continues to be as in the past—the key man. If he attempts to oppose Li and to box him in, he will drive Li to increasingly desperate moves since Li gives all indications of intending to be active in the national life. The Generalissimo on the other hand is a practical man and a politician. If he concludes that Li represents the dominant force in Nationalist China and decides that he cannot destroy him, he may well decide to join him, at the same time discarding his previous sources of power. He is reported to have been exceedingly angry over the election of Li. He may indeed now be too old and has been in undisputed power too long to adjust himself, or he may again demonstrate that he is still the master politician in China. The decision is his.

The Kmt was originally a revolutionary party and the revolutionary tradition remains strong within it. The party is still committed to the activation of the principles of Sun Yat-sen. Kmt dissident groups in Hong Kong and abroad have adopted reform slogans and policies, and in recent months even more conservative groups within party have been talking in similar terms. The source of this interest in change is the pressure of the success of the Communist revolution. The action of the Assembly confirmed the Generalissimo in power but rejected his anti-reform policies. In his present constitution position he can either accept and implement, or deny the popular demand for change. However, Li's election also gave this demand a constitutional and legal status, and it may be this circumstance which will constrain the Generalissimo to include new talent in his Government and adopt the policies which will represent an attempt to combat revolution by social change. Further proof this is realized is that the two principal defeated candidates, Sun and Cheng Chien, have already started to organize what they call reform groups.

There has yet been no reaction from the Communists. Unless, as is rumored, they have substantial reason to believe that Li is prepared to compromise with them and to take them into a coalition government more or less on their own terms, they must be disappointed, realizing that the election of Sun would have favored continuous growth of a situation calculated to foster Communist causes.

The other group to be considered is the Kuomintang Revolutionary Committee in Hong Kong. This committee claims to have a definite time scheduled now for the removal of the Generalissimo. It is known that the committee and T. V. Soong have been making the coyest kind of eyes at each other from afar, just in case such a misalliance might prove convenient. The committee claims that it has maintained closest contact with Li Tsung-jen during recent months. If these allegations are correct, then it may well be that the claimed timetable has foundation and that the struggle in the Assembly was but the first round in a life and death struggle between the Generalissimo, the CC clique and the Whampoa clique on the one hand, and Li and his associates on the other. If the civil war and economic deterioration continue on their present disastrous course Li and his associates seem assured of eventual success, with increasing probabilities that Li from choice or necessity will be driven into an understanding with the Communists. We shall have to watch developments with extreme care, yet our efforts should, we believe, be directed toward influencing Generalissimo to accept the situation and support more liberal policies.

STUART

CHAPTER IV: MAY 5-JUNE 2, 1948

First meeting of Legislative Yuan; inauguration of President and Vice President of the Republic of China; appointment of new Cabinet

893.002/5-648: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 6, 1948—11 a. m.

[Received May 6—3:03 a. m.]

808. Ho Ying-chin¹⁷ has accepted provisionally premiership, and is consulting groups from various walks of life in order better to formulate his plans and his Cabinet. In next few days he expects see Generalissimo¹⁸ and if Generalissimo agrees with his proposed government and reform plans, government will be announced.

We understand Generalissimo desires Ku Chu-tung¹⁹ as chief of staff. If that deducible appointment indicates color of present Cabinet, it will indeed be bad news.

STUART

¹⁷ Chief Chinese delegate to the United Nations Military Staff Committee and Chief of the Chinese Military Mission to the United States.

¹⁸ Chiang Kai-shek, President of the National Government of the Republic of China, President-elect of the Republic of China since April 19.

¹⁹ Commander in Chief of Chinese Ground Forces.

893.00/5-648 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, May 6, 1948—2 p. m.

[Received May 6—6:34 a. m.]

999. Shanghai student meeting at Chiaotung University May 4 took anti-American turn, according to press, centered on American policy of "building up" Japan and "interference in China's domestic affairs by American imperialism". One paper reported that "Shanghai Student Federation" (outlawed organization) is laying plans for fostering student protest campaign on nationwide scale against American Japan policy, campaign to start within next few weeks. It further reported that publicity units are being organized to work among the people.

Consulate General believes this might mark first step in attempt to stage nationwide anti-Government demonstrations as well as arouse general anti-American feeling by following pattern often employed in past: Initiation of a broad movement through entering wedge of specific popular issue on which even official quarters may lend covert support. While not in position to estimate potentialities of movement from nationwide standpoint, we believe chances would be against its reaching climactic proportions in Shanghai at this time in view of authorities' apparently alert surveillance of student and labor agitators.

Sent Nanking 767, repeated Department 999.

CABOT

893.00/5-748

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, May 7, 1948—6 p. m.

[Received May 7—7:32 a. m.]

1010. Local observers close to current events and to Chinese popular opinion are pointing out that public interest and encouragement over Li's ²⁰ election and popular expectation of new faces in Govt still run high. They point out that Kmt ²¹ machine has not yet had time to reorganize for repression of reform forces; that Cabinet's elections and Legislative Yuan seatings are still in making; that many liberals and middle-roaders, undoubtedly impressed by NA ²² events, are in favorable mood, ready to be shown that Govt may offer more than Com-

²⁰ Gen. Li Tsung-jen, Director of President Chiang Kai-shek's Headquarters at Peiping, Vice President-elect.

²¹ Kuomintang (Nationalist Party).

²² National Assembly.

munists after all; that Communist military efforts appear in relatively quiescent stage in process of strategic reorganization and that Communist political leaders, possibly caught somewhat off base, have not yet developed themes [*means?*] and ways to exploit turn of events to their own propaganda advantage in contest for support of middle-landers and, probably, in effort to woo Li from Govt fold.

These observers express hope that some American gesture be made now, before this seemingly strategic moment is lost, toward winning, heartening and strengthening forces for reform, keeping them on the Govt side, popularizing and enhancing American aid, and in general improving whole American position in Far East.

Sent Nanking 778, repeated Dept 1010.

CABOT

893.00/5-748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 7, 1948—7 p. m.

[Received May 7—6:26 p. m.]

832. Our best information at the moment is that Generalissimo has refused to agree to reforms demanded by Ho Ying-chin and has commanded Chang Chun to remain as Premier and form new Cabinet.²³

Nevertheless, when I called on Generalissimo May 6 he indicated agreement with various points I felt it desirable to raise with him. In first place, he promised support for Jimmy Yen's reconstruction plan²⁴ and agreed with me when I enlarged upon the fact that the Communist issue could not be settled merely by military means; that unless there were drastic reforms in Government policy convincing the people that their lot was better than it would be under Communist control, no amount of military effort or American aid could be successful. He continued to agree when I expressed my belief in the extreme gravity of the outlook in the military, financial and economic fields, and particularly in respect of morale among the people as well as with the Government. The only hope, it seemed to me, lay in radical reform that would convince the people that the Government had stopped merely speaking and intended to act. Now that he had been elected President, I said, the constitution was coming into effect, American aid was beginning to arrive, and he had a superlative opportunity to take the requisite leadership and that if he didn't do so now, it might soon be too late for him to play any part in the steps which must inevitably take place. His expression indicated that he

²³ Premier Chang and his Cabinet had resigned en bloc on May 5.

²⁴ For information on this subject, see vol. VIII, "U.S. Economic Aid to China" (Ch. III).

understood I had the revolt surrounding Li Tsung-jen in mind. I went on, with the Generalissimo agreeing, that in my opinion the great majority of Chinese, even the more radical student element, did not want China to be communized, but that they were dissatisfied with the present Government. It became, therefore, a question of winning this large majority by demonstrating that the Government was more modern, up to date, democratic and liberal than the Communists who, I stressed, represented the last vestige of out-moded totalitarian and dictatorial political organization. As I saw it, and he seemed to agree, the problem was primarily spiritual rather than military or material and that somehow the spirit of the populace and of the troops would have to be aroused or all his plans and all the American assistance would be useless. Mme. Chiang, who was present, agreed most emphatically with this and I believe will exert her influence toward improving the situation.

In response to his request for specific suggestions, I remarked that the Premier's 10-point program ²⁵ seemed to offer a framework for action and that now was the time to give proof that these points were not just a literary essay, but represented an intention of the Government which would be implemented without further delay.

The above doesn't sound too hopeful, yet we are afraid it represents the present attitude of the Generalissimo. He will assent, as he did, but we find it difficult to believe that he is any longer capable of the leadership necessary to instill new spirit into the people or that he has any intention of really instituting necessary reforms.

STUART

893.00/5-848 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 8, 1948.

[Received May 19—10:22 a. m.]

A-130. The Legislative Yuan election has plunged the Kmt into the same dilemma which vexed the Party in connection with the National Assembly and from which it has not yet been able to extricate itself completely. Out of the 773 seats in the Legislative Yuan, the Kmt promised to assist the Young China Party to secure 80 and the Democratic Socialist Party 75. Following the sad experience of the National Assembly elections where the Kmt proved unable to fulfill a similar promise, the Central Standing Committee of the Party passed a resolution forbidding Party members to run without Party nomination. However, many Party members chose to ignore this stipulation,

²⁵ See note from the Chinese Embassy, January 28, vol. VIII, "U.S. Economic Aid to China" (Ch. I).

were legally nominated by petition and elected. When the final returns were in, the Democratic Socialist had won only 14 seats and the Young China Party but 8. Furthermore, many Kmt members running independently defeated official Kmt nominees just as had happened in the National Assembly elections.

The results of the election were not immediately announced, and for a time the National Assembly and the attendant excitement over the Vice-Presidential race captured the headlines, but the various interested groups began quietly to organize to protect their rights. The petition-nominated electees established the "Fraternity of Popularly-Elected Legislators", while the Kmt nominees set up the rival "Fraternity of Kuomintang Central Headquarters Formally-Nominated Legislative Yuan Candidates". Both these organizations and also the minor parties began sending delegations to call on Ch'en Li-fu,²⁶ Chang Li-sheng,²⁷ Ku Cheng-kang²⁸ and other responsible officials to urge their points of view. The Central Standing Committee of the Kmt was unable to reach a firm decision on the matter, being already preoccupied with the more urgent problems of the National Assembly election dispute and the Vice-Presidential elections, but was reported on April 18 to have resolved that the candidates receiving the largest number of votes would be considered elected in all areas except those reserved for minor parties.

Finally the State Council handed down a decision designed to cut the Gordian knot: Membership in the Assembly would be increased by 300 and in the Legislative Yuan by 150, thus permitting the election of both the minor party candidate and the Kmt member who had usurped his place by running independently and getting more votes. This solution, which would seem to satisfy practically everybody, unfortunately was rejected by the existing Legislative Yuan, as one of its last official acts before dissolving.

Party leaders, made wary by the unpleasant consequences of their forcible ejection of legally-elected National Assembly delegates to make room for minor party men, met to consider the problem. According to the *Hsin Min Pao*, they decided at a conference on May 1, participated in by Sun Fo,²⁹ Chen Pu-lei,³⁰ Wu-T'ieh-ch'eng,³¹ Chang Li-sheng, Ch'en Li-fu and Ku Cheng-kang, to recognize those receiving the largest number of votes as members of the Legislative Yuan. Apparently, they decided that the participation of the minor parties

²⁶ Secretary General, Kuomintang Central Political Council.

²⁷ Chinese Minister of Interior.

²⁸ Chinese Minister of Social Affairs.

²⁹ President of the Chinese Legislative Yuan; unsuccessful Vice-Presidential candidate.

³⁰ Secretary General, Central Political Committee of the Kuomintang.

³¹ Vice President of the Chinese Legislative Yuan; Secretary General of the Central Executive Committee of the Kuomintang.

was not worth the risk of alienating an influential group of Kmt members and further splitting the Kmt, already weakened by the violent disagreements of the National Assembly. Also the failure of the minor parties to throw their support solidly behind Sun Fo in the Vice-Presidential election may have influenced their decision. Bitter reactions from the minor parties were forthcoming immediately. A Young China Party spokesman was reported to have stated that if the Kmt did not keep its promise not only would his party withdraw from the Legislative Yuan, but together with the Democratic Socialist Party would "jointly issue a manifesto flaying the Kmt for the violation of the three-party agreement and demanding that the American Government stop American aid". The Fraternity of Kuomintang-Nominated Candidates also published an open letter to President Chiang pointing out that their failure in the election was due to the fact that they were nominated and supported by the party and calling upon him for the prestige and discipline of the party to find a satisfactory solution to the problem.

On May 5 the Gimo called two members of the Democratic Socialist Party to see him and, according to the account later given by Hsu Fu-lin,³² told him that it would not be possible to give any assistance to those members of the Young China and Democratic Socialist parties who were defeated in the election, but that he sincerely hoped the two parties would offer their broadest cooperation in the executive branch of the Government.

Both parties have announced that they refuse to accept the stand taken by the Kmt and have stated that they will not consider participating in national or local government until they are given the number of seats promised them in the Legislative Yuan. If both sides remained adamant, the Kmt would lose its "flower vases of democracy" on which it depends to prove to foreign observers that one-party government in China is no more, and the minor party officials now in the government would all be out of jobs. Since neither side is likely to go to that extreme, the most probable result is some sort of compromise, toward which they are now feverishly working, with Lei Chen acting as principal mediator for the Kmt. It is still possible that an increase in the total number of seats will prove the only way out. Whatever the solution, it will mean another beating for the badly mauled Kmt party machine.

While the two sides work toward a settlement of the election dispute, the first meeting of the new Legislative Yuan is being held May 8, as provided by the Regulations for the Enforcement of the Constitution. By the evening of May 7th, registration of legislators had reached 370, more than twice the required quorum of 155.

STUART

³² Chinese State Councilor and unsuccessful Vice-Presidential candidate.

893.032/5-948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 9, 1948.

[Received May 9—2:48 a. m.]

834. Brief inaugural ceremony of new Legislative Yuan held May 8 without incident. Session boycotted by minor parties in protest against Kmt decision to recognize all candidates receiving pluralities as legislators, which would reduce minor parties to 22 members instead of 155 originally promised. Negotiations to find a solution to impasse are continuing.

STUART

840.50 Recovery/5-1348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 13, 1948—9 a. m.

[Received May 13—3:55 a. m.]

860. ReDeptel 791 to Shanghai, repeated Nanking as 653, April 30, 7 p. m. Embassy concurs with Department's view that issuance statement as suggested by Shanghai would place US in an upward [awkward] position. While Embassy agrees that handling of news and comments regarding aid program could emphasize its benefit to Chinese people, Embassy does not see how we can play down strengthening of present Chinese Government. The fact is that we are supporting this Government and doubtless shall continue to do so.

It seems to Embassy that undue befuddlement on this issue would tend to detract from other aspects of the program. This need not, in the least, alter our previous stand of deploring influence of reactionary group, or of encouraging those who seek progress and efficiency. In spite of the old saying we can make it abundantly clear that despite the presence of one rotten apple we do not intend to discard the whole barrel.

Repeated Shanghai 375.

STUART

893.00/5-1348 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, May 13, 1948.

[Received May 13—7 a. m.]

1055. On eve 13th Carsun Chang, Chairman Democratic Socialist Party, issued lengthy statement to press clarifying Party's position in Legislative Yuan dispute which could be interpreted as ultimatum. None of vernacular papers (including Party's *Chung Hwa Jih Pao*)

has yet carried statement. Chang stated that real issue was not one of seats in Yuan but one of principle. He declared that extra legal practices of Kmt in elections constituted nullification, that in order to decide issue his Party was prepared to "face new appeal to nation," that his Party believed elections should be held over again. "We are prepared to submit to judgment of people even if we fail to gain single seat in Legislative Yuan provided elections are held on fair play basis reflecting popular will of voters." In conclusion Chang stated: "If pledged word can no longer be counted upon and if high policy of Kmt is to preserve essence of one party system behind façade of democratic constitutionalism, I declare solemnly and soberly that Democratic Socialism can be of no service." Full text statement being airmailed.³³

Sent Nanking 821, repeated to Dept 1055.

CABOT

893.00/5-1348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 13, 1948—5 p. m.

[Received May 13—9:23 a. m.]

874. Kan Chieh-hou, principal advisor to Li Tsung-jen, stated in conversation just prior to his recent departure to Peiping for a short trip, that Li and his followers are in the process of preparing a reform program for China. The Generalissimo will be allowed brief period of weeks in which to indicate the course of action he intends to pursue before it is presented to him. The program will then be presented to the Generalissimo and the President of the Executive Yuan for their consideration. Unless it is accepted in its entirety, Li will provoke a political crisis. The Generalissimo will be permitted to stay as President if he agrees to interpret the office as comparable to that of President of France. Resignation of the Executive Yuan will be forced and Li will name his own cabinet. Kan intimated, though he did not state specifically, that he might well be President of the Yuan. The Li faction would then proceed to implement its own program. Kan stated they fully expected to obtain their objective by peaceful means since there was every expectation there would be such overwhelming popular support for Li that violence would be unnecessary.

STUART

³³ Despatch No. 78, not printed.

893.20/5-1448: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 14, 1948—4 p. m.

[Received 5:50 p. m.]

878. Announcement has been made of the appointment of Ku Chu-tung, presently Commander of Ground Forces, as Chief of Staff vice Chen Cheng. The new Commander of Ground Forces is Yu Han-mou. Both men have long and distinguished records for accomplishing nothing and for avoiding battle under any circumstances. They may have qualities which appeal to the Generalissimo but from a military standpoint it would be difficult to conceive of worse appointments. We can only conclude that nothing will be done in the military sphere to change their present policy of inaction, or to arrest a rapidly growing process of military disintegration.

If these appointments are indicative of the quality of men to be appointed in the new Cabinet, then the prospects for the Government now in power are even bleaker than we had supposed. Authoritative press sources this morning list a probable Cabinet which constitutes merely a reshuffling of the same old faces in new slots with Chang Chun continuing as Premier. Our information indicates the prognostication is likely correct in its general outlines.

The inescapable conclusion from this accumulation of developments is that there will be as little change in civil affairs as appears probable in military.

The question is what arises from these developments. We believe that the reform movement centering around Li Tsung-jen has reached proportions where it can no longer be denied, especially if Li is prepared to give it the necessary leadership—and the indications are that he is determined and that he can command popular support. Recent conversations with Li Chi-shen ³⁴ strongly suggest that KmtRC also means business this time and is confident it has requisite support.

Generalissimo had an opportunity to assume leadership of this ground swell by discarding the bankrupt clique around him and allying himself with the new forces. Above appointments only serve to confirm our worst fears that he is incapable of appreciating recent developments in China, of adapting himself to them, or of changing except in the direction of retiring to the imperial back courtyards.

In our considered opinion, this inflexibility of and blindness in Generalissimo can only mean that, by one means or another, he can, must and will vanish from the political scene, and that he will be

³⁴ Chairman of the Kuomintang Revolutionary Committee (KmtRC) with headquarters at Hong Kong.

removed by those forces he is seeking to smother. The sooner this happens, then the greater will be the prospects that the reform forces can rally the country to check the Communist tide and eventually to eliminate it as a force in China. We believe it now behooves us to keep the above prospects clearly in mind in the handling of our relations with China.

STUART

893.00/5-748: Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, May 14, 1948—7 p. m.

734. Personal for the Ambassador from Butterworth.³⁵ In line with suggestion final paragraph Shanghai's 778 May 7 to Emb³⁶ we are considering possibility of Secretary's issuance statement on occasion inauguration Pres and Vice Pres May 20. We are aware possibility such statement might serve encourage moves such as those described Embtel 874 May 13. On other hand statement might tend encourage reform forces facilitate program designed improve conditions before further deterioration makes such action more difficult and less likely. We are weighing question whether sufficient advantage to be gained from statement to offset disadvantages arising from possible, even probable, misinterpretation, controversy and debate both there and here.

Before deciding whether to present to Secy for consideration I should appreciate having the benefit of your personal reaction and suggestions to a statement along following lines:

"U. S. Govt notes with pleasure occasion inauguration Gimo Chiang Kai-shek as first Pres Republic China and Marshal Li Tsung-jen as first Vice Pres Republic China under new constitution. Elections these outstanding leaders China by secret ballot in National Assembly were auspicious beginning constitutional Govt China. U. S. Govt looks forward to success their joint efforts directed toward promoting economic recovery and stability China and thus alleviating hardships which Chinese people are suffering. It is hoped China Aid Program will assist them in their efforts to this end."

[Butterworth]

MARSHALL

³⁵ W. Walton Butterworth, Director of the Office of Far Eastern Affairs.

³⁶ See last paragraph of telegram No. 1010, May 7, 6 p. m., from the Consul General at Shanghai, p. 224.

893.00/5-1448

The Ambassador in China (Stuart) to the Secretary of State

No. 233

NANKING, May 14, 1948.

[Received May 25.]

SIR: I have the honor to attempt an appraisal of the most recent political happenings. I had intended to do so earlier but there has been so little finality that it seemed better to wait for something more decisive upon which to base my observations. Meanwhile we have tried to send factual reports with brief interpretative comments. Even now the uncertainty and confusion continue but this seems to be almost normal in China.

The one significant result from the National Assembly was the election of Li Tsung-jen despite the determined opposition of the Generalissimo and his henchmen. Every form of pressure was employed regardless of the promise of free elections, and President Chiang has lost much face as well as for perhaps the first time in his experience as Party Leader been unable to assert his will. The rejoicing over this has been wide-spread even within the Government, for Li is generally regarded as the symbol of constructive reforms.

The supremely important question now is as to whether President Chiang can welcome Li as his helper in these progressive plans and himself lead in proclaiming and effecting them, or whether he will resent Li's triumph by ignoring him and attempting to frustrate his efforts. My advice to him during my latest visit has already been reported in Embassy's telegram no. 832 of May 7, 1948. Thus far the signs are not reassuring. His treatment of various individuals or groups who voted for Li—including the two minor parties—is being interpreted as vindictive, and the resignation of Chen Li-fu as punishment for failure. Whether this is fair or not it reveals current opinion. Personally I still hold to the belief that he wants to do the right thing but is so steeped in the Chinese tradition of autocratic rule and in his own training and habits, so obsessed with the suspicion of Communist instigation in all resistance to his undisputed sway or criticism of his policies that he simply does not know how to change. If anything can help him to do so it will be sympathetic counsel, but this will have to be very specific and outspoken to break through his crust of preconceptions, his iron will and unacknowledged fears. Chinese are continually asking me to say things to him which they admit none of them would dare to. I shall continue to go as far as seems prudent, and my anxiety over the failure of the American aid to accomplish what is intended unless there are drastic reforms gives me an added right.

The Vice President-elect and I have deliberately stayed away from each other to avoid rumors or misunderstandings, but he has been busily at work on a program of reforms which he intends to present to the President for approval. If Li is not satisfied with the response, or if he is convinced after sufficient trial that he cannot get action, he will break away and lead an independent movement. I shall try to get the text of this program as soon as it is available and am meanwhile preparing some concrete suggestions to take up with the President as soon as the principal offices will have been definitely filled. There is now quite a little political shifting around, the only new note being that one or two men have refused to accept the posts offered unless given promises of non-interference.

For several weeks political affairs have so preoccupied the Gimo that not much attention could be given to military issues, increasingly critical as these are becoming. Of course no one else dares to take any initiative, least of all those whose tenure of office is in suspense. The only improvement is that, after months of empty talk about preparing replacement training camps, T. V. Soong³⁷ has come here and secured authority to arrange at once for the training of three divisions in Kwangtung, four in Taiwan and two in Nanking, those in the two former places being entirely under him with the help of General Sun Li-jen.³⁸ If the worst happens these newly-trained and equipped troops can help hold the southern provinces, or under more favorable conditions they can be sent north and be replaced by other weary and depleted divisions. Governor Soong's authority has been extended to include Kwangsi, Fukien, Kiangsi, possibly Hunan, and Taiwan in the matter of military training.

Summing up therefore the situation as it appears today the possible trends would seem to be:

(1) President Chiang will start off the assumption of his new title and the enforcement of the Constitution with the more democratic and progressive measures which give him his only chance to neutralize the swelling discontent and to lead in a popularly supported campaign against the Communists.

(2) The movement of which Li Tsung-jen is the spearhead will openly challenge his procedure and rally all public-spirited, non-Communist elements in a Kint internal revolt. Chiang would probably be allowed to continue in his new office, stripped of all emergency powers. This might lead to some sort of negotiated settlement with the Communists: (a) a coalition government; (b) a territorial division; (c) the Communist Party become legally recognized under American or international protection.

(3) Neither one of these will be sufficiently prompt or effective to prevent the disintegration of the Central Government, with local

³⁷ Governor of Kwangtung.

³⁸ Deputy Commander in Chief of Chinese Ground Forces.

chieftains and the Communists as the strongest, most highly disciplined and unitedly determined factor. The present Government might retreat south of the Yangtse and recuperate strength for another revolution stemming from Canton.

(4) Some unpredictable change in international relations may alter any of the above trends for better or worse.

There is nothing to add to reports reaching you in other forms as to Embassy matters except to assure you of the valuable asset Mr. Livingston Merchant³⁹ is proving to be. This is especially fortunate in view of the prospective activities connected with American aid.

Respectfully yours,

J. LEIGHTON STUART

893.00/5-1548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 15, 1948—1 p. m.

[Received May 16—3 : 15 p. m.]

881. In May 10 interview with officer of Embassy, Marshal Li Chi-shen spoke freely on plans and policies of Kmt Reform Committee. Li stated Committee's basic aim is to establish new Kmt Government China replace present leadership comprised of Generalissimo, CC clique⁴⁰ and certain few military leaders. This leadership characterized, particularly in person of Generalissimo, by intense conviction legality its status, validity its policies and by conviction its continuation in power is essential to national welfare. However, leadership's policies have generally fled and it lacks popular support. Thus, it keeps self in power by party machine, which in turn supports itself by various corrupt practices. All of these practices give rise to bad government with attendant mounting opposition from the people. Mounting opposition constrains Generalissimo to regard problem of keeping in power as primary one, with improved government and even civil war as of relatively minor importance. Li concluded that present Government, if unchecked in current course, must inevitably dissolve in chaos, with entire country going to Communists. Li stated that his movement has large support in military, political and business circles, all apprehensive of general collapse nationalist position. He refused to name specific supporters, but stated fact of his close association with Li Tsung-jen. He stated intentions of holding consultations with Communists in Nationalist territory, with view forming coalition government. He did not state whether this move would precede or follow his formation of new government, but he did say that con-

³⁹ Counselor of Embassy in China.

⁴⁰ Faction of the Kuomintang led by the brothers Chen Li-fu and Chen Kuo-fu.

ference would be called by him and led by him. He stated that accommodation with the Communists necessary for two reasons: First is that any government sponsoring, or able to claim credit for, end of civil war, no matter on what terms, would be assured of immense popular support; in second place, end of war necessary to give his, or any other, government opportunity to reintegrate nationalist elements politically or militarily to point where resistance to Communist advance could become effective.

Li stated his awareness of dangers attempting to work with Communists in coalition. Said that Chinese Communists take full direction from Soviets and would, in coalition, act in accordance with Soviet requirements. He believed that Communism basically uncongenial to Chinese, who hate its controls and regimentation. Chinese now turn to Communism because it offers them chance for "survival", whereas no "survival" possible under Nationalists. He believes that within framework coalition he can create administration and military support which will halt spread Communism and regain lost ground.

Li stated his position clearly, logically and forcefully. His plans appear concrete and well advanced, and he is evidently prepared and determined to carry them out. He reiterated that policies and acts present Government favor spread Communism, and pointed to his past record in eliminating Communism from Kwangtung as evidence his knowledge how to deal with problem.

It is our belief that Li's projected move will find wide support throughout Nationalist China. We have previously and often reported growing dissatisfaction with present Government on grounds its total lack concrete achievement, either in civil war or in any other field endeavor. Generalissimo's recent actions have alienated bulk of Kmt, including many erstwhile supporters. His recent disagreement with Ho Ying-chin over premiership (see Embtel 832, May 7) may well indicate break with Whampoa clique. Under these conditions, emergence of Marshal Li would probably be widely welcomed in party, and there is little doubt but what he would be able to attract best talent in Nationalist China to his government. If Li is sincere in his rejection of Communist control, and his past record bears out his sincerity in this, we feel warranted in assuming that he could probably create a government more capable of halting the spread of Communism than the present Government, which is distinguished only in its relentless pursuit of failure and defeat.

STUART

893.00/5-1748 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, May 17, 1948—11 a. m.

[Received 10:21 p. m.]

1083. Local Chinese, close and intelligent observer of political arena from Chungking days, expresses opinion that despite current headlines about current fracas over Legislative Yuan seats, eyes should be on actions of Kmt cliques and outside groupings. Renegade Kmt members of Yuan may hold key to future. He is inclined, as are most observers, to minimize minority parties as political factor.

Apparent increased post-election willingness by parties and cliques to bolt Kmt guidance is, in his opinion, a recognition of the fact that Li's election and his increased stature have suddenly and unexpectedly produced a possible alternative to Generalissimo's leadership and that a hastening of Kmt disintegration would not now as formerly lead to a leaderless chaos. Alignments behind Li are generally recognized as only seeking of port in storm for many anti-CC factions but that such grouping will outlive CC power though briefly.

He believes quickest and best but least likely way to obtain political order out of current intra- and inter-party confusion would be Generalissimo's assumption of supra party position dissolution of Kmt as unsuited to new constitution[al era] and regrouping of political forces in keeping with individual preferences from far left to far right. Idea was explored in Chungking days but discarded.

Sent Department 1083, repeated Nanking 850.

CABOT

893.00/5-1748

The Ambassador in China (Stuart) to the Secretary of State

No. 234

NANKING, May 17, 1948.

[Received May 26.]

SIR: I have the honor to report on the activities of Mr. William C. Bullitt ⁴¹ during his present visit to China. In general he has been saying quite openly to his Chinese friends that you have steadily hindered the policy of more adequate aid to China, especially in the matter of military advice, and this because of personal grudges; that most of the more responsible top-level men in the American Government, whom he mentions freely by name, and many of the leading Congressmen differ radically with you in these views; that Mr. But-

⁴¹ Former Ambassador to the Soviet Union and to France.

terworth shares your anti-Chinese sentiments but that he and others more friendly in the Department are alike powerless to do other than follow your orders; that General Barr ⁴² and I are both quite second-rate people who are entirely subservient to your wishes; that if the Chinese can only manage to hold on until after the coming Presidential elections they can count on the fuller measure of assistance which they require because Mr. Truman will not be reelected and the new policy can then be put into effect with the hearty support of an increasing number of American voters; and that some really first-class American general will be sent here to help them finish the Communist menace. Chinese—with their tendency to discern selfish motives in any one's actions—draw the inference that Mr. Bullitt is hoping to be appointed the next Ambassador.

It is with no slight reluctance that I pass on this information to you, all the more so since my personal relations with Mr. Bullitt have been entirely friendly. But apart from the personal unpleasantness, this point-of-view tends to strengthen President Chiang and his more fascist type of associates in their reliance on military force—made possible now only by American material assistance—for crushing the Communist rebellion. It neutralizes all of my feeble efforts to urge him to adopt more liberal and democratic methods. As you are well aware, I have always contended that there is no use in any American fiscal of [*or*] economic aid to China unless the civil war can somehow be ended, and that the present leadership is apparently too inept or incompetent, too arbitrarily dominated by personal or political factors, to accomplish this without some considerable measure of American professional advice. But just as strongly do I feel that the Communist problem is fundamentally a social or human one and cannot be solved merely by armed force. In China the failure of the Government is not only because of faulty training, strategy and logistics. Even more it is the rapidly waning public confidence, the worsening morale among the troops, the mounting desire for reforms which it is generally believed can only be looked for under a change of personnel, and the unwillingness or inability of President Chiang to initiate the socialized policies which should win back popular support and improve the whole administrative system to the point where the common people prefer it to that of Communism and are willing to struggle and suffer in its maintenance. To encourage him to rely upon continuing American technical and material aid tends to confirm him in his worst faults and to thwart all efforts to modernize his thinking.

Even within the present framework two features stand out in my mind as useful. One is the reliance on well-planned publicity. I

⁴² Maj. Gen. David G. Barr, Chief, Army Advisory Group.

am looking forward eagerly to Mr. Bryan's ⁴³ arrival. Another is the Rural Reconstruction program ⁴⁴ if it really can be primarily a training for citizenship kept free from C. C. Clique and other political interference.

Respectfully yours,

J. LEIGHTON STUART

S93.00B/5-1848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 18, 1948—1 p. m.

[Received May 18—10:09 a. m.]

889. ReDept intel May 13, 1 a. m.,⁴⁵ concerning report on change in Soviet line, it is interesting to note that a decided shift in Chinese Communist line calling for conciliation of intellectual and middle peasant groups was announced shortly after reported Soviet shift. New Chinese Communist line, which is most moderating move since announcement of Mao Tse-tung's ⁴⁶ short-lived new democracy in 1945, dovetails well into report of Soviet action and it seems most likely that if Soviet report is correct both moves were coordinated. They also would seem calculated to appeal to reform group in Kmt led by Li Tsung-jen which is now attempting to establish its dominance in National Government. Embassy now working on detailed analysis of new CCP line and its implications vis-à-vis Li.

STUART

S39.03/5-1848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 18, 1948—3 p. m.

[Received May 19—4:19 a. m.]

891. Legislative Yuan May 17 elected Sun Fo as President and Chen Li-fu as Vice President. Sun was practically unopposed, receiving 558 of 608 votes cast. Legislators opposed to party domination, who had won early victory in Yuan's decision not to permit party nomination of candidates, concentrated on defeat of Chen, regarded as symbol of machine politics and reactionary forces. In strong declaration published day of election they announced their opposition to election to Vice Presidency of man who placed interests of clique and faction above those of party and nation. However, they were unable to rally enough strength to defeat KTC [CC?]

⁴³ Jack H. Bryan, proposed Public Affairs officer.

⁴⁴ For correspondence on this subject, see vol. VIII, "U.S. Economic Aid to China" (Ch. III).

⁴⁵ Not printed.

⁴⁶ Chairman of the Central Committee of the Chinese Communist Party.

clique and its supporters, and Chen was elected on first ballot by 343 votes to 236 for non-party candidate Fu Ssu-nien.⁴⁷ Fu's authorship of articles offensive to Mongols reported an important factor in his defeat, causing border peoples to vote solidly against him. Election held in apathetic atmosphere and announcement of Chen's victory elicited no applause whatsoever.

STUART

893.00/5-1848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 18, 1948—4 p. m.
[Received May 18—9 : 41 a. m.]

892. Personal for Butterworth. Heartily approve suggested statement by Secretary on occasion inauguration President and Vice President May 20, Deptel 735 [734], May 14, 7 p. m.⁴⁸ Such statement will greatly strengthen my hands in discussion I plan to have with Gimo as soon as possible, following inauguration, in which I hope to stress my belief that reform movement is irresistible and that unless he goes along with it, he will inevitably fail.

STUART

893.00/5-1548 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, May 18, 1948—5 p. m.

744. Interview with Marshal Li Chi-shen reported Embtel 881 May 15 indicates Embassy's belief that his emergence would probably be widely welcomed in Kmt and that Li Chi-shen could probably create govt more capable halting spread communism than present Govt. Is Embassy of opinion that Marshal Li Chi-shen would emerge as leader rather than Li Tsung-jen? If the former became leader what role would latter play? Would Li Chi-shen command sufficient following, except as figure-head, to give effective leadership to opposition movement?

In this connection please inform Dept where interview with Li Chi-shen took place, what Embassy officer participated and what other person or persons were present at interview.

MARSHALL

⁴⁷ Member of People's Political Council.

⁴⁸ The statement was released to the press on May 20; see Department of State *Bulletin*, May 30, 1948, p. 713.

893.00/5-1848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 18, 1948—6 p. m.

[Received May 19—6 : 21 a. m.]

893. During last few days following information has been reported to Embassy from generally reliable sources. Although Embassy cannot guarantee its accuracy in all details, it is reported as "straws in the wind" and as being consistent with general trend of developments as we see it here.

(1) O. K. Yui is resigning as Finance Minister because of his conviction that reactionary elements will continue to control Government, thereby preserving its impotence in face of growing unresolved problems. It is possible that Chang Kia-ngau will assume the post concurrently with his present responsibilities in Central Bank.

(2) During his recent visit to Nanking, T. V. Soong stated Generalissimo would give him authority over Fukien and Kwangsi, in addition to Kwangtung, and that he expects same authority over Hunan, plus military jurisdiction over Hainan. This could be another step in the organization of the "Southern Soong Dynasty".

(3) Generalissimo has decided on creation of special pacification command for 7 Central China provinces. Apparently Cheng Chien⁴⁹ will take command of headquarters in Hankow, but military headquarters in Chengchow and Hsuehchow will remain under direct control of Generalissimo. For practical purposes this would deprive Cheng Chien of any considerable body of troops. Another report states that Li Tsung-jen asked Generalissimo to give Pai Chung-hsi⁵⁰ command in northwest, vice Chang Chih-chung.⁵¹ [This] would give Pai an area in which to operate and troops of his own.

Generalissimo refused and indicated he might name Pai as deputy to Cheng Chien in Hankow. Pai is reported to have refused this and may replace Ho Ying-chin as Chinese representative on military committee of United Nations. Whatever the accuracy of these details, principal import seems to be that Pai is to be punished for his failure to follow Generalissimo's instructions during vice presidential election. These reports are also disturbing because they additionally confirm our fears arising from appointments of Ku Chu-tung and Yu Han-mou, whose primary utility to Generalissimo is that they are safe men. Generalissimo's continued preference of personal loyalty as against military capacity further deepens gloom of military outlook for National Govt. One objective of Generalissimo seems to

⁴⁹ Director of Generalissimo Chiang Kai-shek's Headquarters in Hankow.

⁵⁰ Chinese Minister of National Defense.

⁵¹ Director of Generalissimo Chiang Kai-shek's Headquarters in the Northwest (Lanchow).

be neutralizing growing influence of Kwangsi clique under leadership of Li.

Despite convincing evidence that CC clique had scored great victory in election of members to Legislative Yuan, there was much educated opinion in Nanking which increasingly believed that success of party rebellion at National Assembly forecasts similar course of events in election of president and vice president of Legislative Yuan. This conviction was reinforced when Legislative Yuan refused to allow party nomination of candidates, when estimated 300 members announced their intention of blocking Chen Li-fu for vice presidency, and when there were no speeches in favor of Sun Fo for president. Actual vote impressively deflated these hopes. Sun Fo received all but some 50 votes for the presidency and Chen Li-fu was elected by a fairly narrow margin. Li has stated privately that he still hopes to impose his reform through Legislative Yuan with votes of 45 percent minority which opposed Chen Li-fu, plus possible CC defection votes. It seems likely that Chen Li-fu's election was made possible by an understanding between CC and Political Science Group. Chang Chun, knowing that Executive Yuan must be confirmed by Legislative, may have decided to take the easy course and make his peace with CC, which will have an important, if not necessarily majority voice.

It seems increasingly evident that Generalissimo and reactionary forces, rather than attempting to accommodate themselves, are determined to meet challenge of Li Tsung-jen and his followers; and that they are confident of their ability to remain in power and defeat Communists. Paradoxically, Generalissimo remains supremely optimistic that he has everything under control; and CC clique and other reactionary elements seem to prefer destruction to the relinquishment of any part of their control. It yet remains to be seen whether Li can rally the opposition to reverse the increasing sense of impending doom and to counteract disintegration of anti-Communist elements in the country.

The only bright spot in an otherwise gloomy picture is some evidence of vacillation in mind of Generalissimo. He is apparently disturbed by inability of Chang Chun to provide forceful leadership as Premier. Despite his earlier insistence that Chang Chun must remain in office he now seems not yet to have made up his mind definitely, and is seriously considering appointment of T. V. Soong as Premier. Soong could, on the basis of his record, at least be counted on for a determined and ruthless effort to revitalize the Government.

STUART

893.00 Mongolia/5-1848

The Ambassador in China (Stuart) to the Secretary of State

No. 236

NANKING, May 18, 1948.

[Received June 2.]

SIR: I have the honor to report on problems centering around Inner and Outer Mongolia. The latter has been attached to the Soviet Union as a more or less unwilling and helpless satellite. The Chinese are trying to use similar tactics in coercing the Mongols in Inner Mongolia to become an integral part of the Republic. But there seems to be a very strong yearning in both regions for a unified and independent Mongol State. We Americans instinctively sympathize with such aspirations. For other practical reasons an autonomous Mongolia would serve to contain Soviet expansion southward, whereas the present methods of the Chinese agents tend to drive the Mongols toward Chinese or even Russian Communism. As with all such suppressive policies the Chinese employ more pliant Mongols as their own puppets against those described as "racial Mongols". In effect it is the usual pattern of the police-state directed in this instance by the C. C. Clique.

Mongol delegates to the National Assembly have called on me and others of the Embassy staff and we are brought into contact with these "racial Mongols" through these and other circumstances. My own impression is that their case is a worthy one and that their presentation of it is both reasonable and with dignified restraint. From all accounts the economic plight of all those at least in Inner Mongolia is very bad which of course aggravates the dangers.

It would be hopeless perhaps to point out to the present Chinese leadership what a noble course they could adopt in conferring on the Mongol race the same independence they have been demanding for themselves and how immensely more effective this would be in holding their spontaneous loyalty to the National Government in some form of alliance. It might be possible to urge this with a more progressive group. Or it may even seem advisable to our Government, after considering the matter in all its aspects, to give the Chinese authorities some friendly, if unsolicited, advice. Left to themselves they will certainly allow things to go from bad to worse until it becomes too late to stop the trend.

Respectfully yours,

J. LEIGHTON STUART

893.00/5-1948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 19, 1948—noon.

[Received May 20—5:30 a. m.]

899. During month of April, North Shensi news broadcasts concentrated on encouraging expansion private industry and commerce by emphasizing its new policy of protection of commercial enterprises and capital, offering one year's tax exemption and loans for rehabilitation and expansion. Broadcasts cited many specific instances in which privately owned industries and other commercial enterprises in Communist controlled areas were restored to full capacity by loans from democratic government and in each case specifically indicating great increases in production due to close cooperation between capital and labor. Comparisons were made to low cost of food and commodities in Communist-held cities as compared to increased prices in Kmt cities, specifically Tientsin. Great progress being made in industry in Harbin was stressed, which was allegedly due to increased purchasing power of peasantry since agrarian reform. In an attempt to make reparations for past offenses, one item stressed that stipulated provisions for protection of industry and commerce would be rigidly adhered to and that "all merchants and industrialists whose interests have been infringed on through errors in carrying out agrarian reform are to be fully compensated and reimbursed".

Broadcasts began emphasizing another new policy of winning over and educating intelligentsia, making concerted appeals to "all educated youths regardless of class" to join party. Articles stressed that every opportunity for education would be afforded children of workers, peasants and other toiling masses "in order to train new type of intelligentsia by offering free education". Many items cited unprecedented increase in school attendance in various parts of Manchuria and hailed establishment of night schools in many areas. Throughout month broadcasts consistently attempted to lure students with enticing offers of protection and opportunities to pursue their studies under Communist guidance. At same time there were numerous references to "persecution" of students in Kmt areas and suppression of patriotic and democratic movement including dissolution of North China Students Federation and other items depicting student struggles which ensued. One item claimed that less than two percent of Kmt Government budget was earmarked for educational expenditures, instead of 15 percent promised and cited protests made by 6 universities.

In a concerted attempt to capitalize on Chinese hatred of Japanese, several war communiqués referred to Japanese being discovered

amongst Kmt prisoners. One item also alleged that Japanese Foreign Ministry had set up anti-Soviet, anti-Chinese spy ring under title of Research Bureau, declaring that "it is to send spies to penetrate into China, restore all former Japanese intelligence connections, and work on key Kmt officials to obtain their support of planned American general amnesty for all Japanese war criminals".

War communiqués were, as usual, full of glowing accounts of overwhelming victories on all fighting fronts and were usually followed by lengthy accounts of deplorable conditions and suffering of people which Communist troops encountered upon capture of each area and relief which Communists poured into these areas upon "liberation". Several articles were injected with references to increasing number desertions in Nationalist ranks, discipline Communist and protection afforded to churches in battle areas. Recapture of Yen-an ⁵² hailed as major victory and evidence of growing weakness and rapid collapse Kmt regime.

Several articles alluded to use of poison gas by Kmt troops alleging that captured Kmt documents substantiated this fact, and ominously warning of eventual retribution. Another item refuted General [Central?] News Agency charge that "poison gas smoke screen" had been used by Communists and attributed to rumor to cover up for Kmt actions.

Final passage of US China aid bill ⁵³ evoked lengthy attacks against "American imperialism" and charges that US was investing in Chiang Kai-shek's civil war in order to transform China into American colony. It was further charged that US has been pouring military aid into China long before passage of aid bill and that official passage constitutes formal declaration of war on Chinese people by American imperialism. Marshall's ⁵⁴ attempts at mediation and policy of non-intervention in Chinese domestic affairs was called treacherous plot to camouflage reactionary policy of enslaving China. Canada and Belgium were accused of following lead of American imperialism by sending munitions and planes to China and an appeal was made to working class and people of these 3 countries to "unfold mass movement against aid to Chiang Kai-shek's Government".

Sent Department, Department pass Moscow 34.

STUART

⁵² April 22.

⁵³ April 3, 1948, 62 Stat. 158.

⁵⁴ General of the Army George C. Marshall, Special Representative of President Truman in China, December 1945-January 1947.

893.00/5-1948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, May 19, 1948—3 p. m.

[Received May 21—7:59 a. m.]

216. Immediate Communist military threat to Mukden has been reduced. Two of three best Communist columns in Ssuping area which heretofore constituted threat Mukden reported by Chinese sources have moved westward. Communist 1st column now in Fuhsin area with advance units in Chinchow area, and either Communist 6th or 3d column now in Changwu moving eastward. Only one of the columns remains north Mukden.

Major Government military problem Mukden is lack food. Army attempting alleviate this by requisitioning all available plane space airlift food supplies. Local manager CAT⁵⁵ states Chinese have requested them increase number flights into Mukden to 30 per day. Chinese aiding in this by increasing number flights CAT can have in air at one time, permitting them bring additional planes from Japan, and rushing repairs under military supervision and labor to civilian airports Mukden area. CAT receiving complete cooperation Mukden military. CAT believes will be able average 22 flights daily into Mukden in near future. These flights coupled with more flights by CNAC,⁵⁶ CATC⁵⁷ and CAF⁵⁸ may bring total incoming flights here to 50 in near future. Acute military food shortage (one week's supply when move started) will probably mean little if any food for civilian consumption.

Unofficial source alleges Chinese Ministry Defense had plan several months ago move over armies and NEBSH⁵⁹ from Mukden to Chinchow. Planned leave only token force Mukden. Plan resisted by military here and final decision made by Gimo leave all military forces here and try hold Chinchow area and prevent Communist thrust into North China with reinforcements sent from intramural China.

Sent to Nanking as 283; repeated Department.

WARD

⁵⁵ Civil Air Transport.

⁵⁶ China National Aviation Corporation.

⁵⁷ Central Air Transport Corporation.

⁵⁸ Chinese Air Force.

⁵⁹ Northeast Bandit Suppression Headquarters.

S93.00/5-1948: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 19, 1948—6 p. m.

[Received May 19—9:53 a. m.]

906. Generalissimo is meeting this afternoon with his top advisers in attempt to find workable solution to present Executive Yuan impasse. Among his most active advisers is Chen Li-fu who, since his election as Vice President of the Executive [*Legislative*] Yuan, has been extremely vocal in expressing his conviction that primary need is party unity and that thereafter Government can proceed on questions of reform. Chen's views seem to reinforce growing conviction of Generalissimo that Chang Chun is not the man to head the new Cabinet because of his inability to provide forceful leadership. The CC clique is urging Generalissimo to name T. V. Soong as President of the Executive Yuan and Generalissimo appears inclined to go along with this suggestion. Soong has arrived in Nanking for consultations on this question and will probably accept it if the offer is definitely made. Chen is further urging that Ho Ying-chin be made Vice Premier and that Pai Chung-hsi be retained as Minister of National Defense in order to heal the rift between Generalissimo and Li and draw latter into active partnership with Government. It is impossible to forecast how this manipulation will turn out. Given past performance, the possibility must not be overlooked that this is another skillful manipulation part of CC clique to regain its waning hold on Government. On the other hand, possibility must also be kept in mind that Soong, who has been flirting with CC clique ever since his retirement from premiership,⁶⁰ might be able to provide sufficiently strong leadership to keep CC activities within bounds. CC for some months has been attempting vocally to assume leadership of reform movement. Only a practical test could determine whether this is merely lip service or honest conviction. Furthermore, there is no indication as to whether Li Tsung-jen would accept the line offered him or would remain wary.

In general, situation remains fluid.

STUART

⁶⁰ March 1947.

893.00/5-2148

*The Consul General at Hong Kong (McKenna) to the Ambassador
in China (Stuart)*⁶¹

No. 3

HONG KONG, May 21, 1948.

SIR: I have the honor to refer to previous despatches from this office concerning the Kuomintang Revolutionary Committee, and to furnish the Embassy with a summary of an interview on May 10, 1948, between Attaché Frederic D. Schultheis, of the Embassy at Nanking, and Marshal Li Chi-shen. Mr. C. Y. Li of Marshal Li's organization and Vice Consul R. M. Service of this office, were also present at the interview, which was held at the home of Mr. C. Y. Li at 9 Tungshan Terrace, Hong Kong. The interview was arranged in an effort to avoid Chinese Communist knowledge of its occurrence, and it was hoped that Marshal Li would discuss frankly with Mr. Schultheis the program of the KmtRC.

Marshal Li opened the interview with a 45-minute review of the history of the Kmt and the Generalissimo's role as dictator of the party and of China. He stressed his own long record of association with General Li Ts'ung-jen, asserting that he and General Li had been in a position to cause the military collapse of Chiang at one time, but that they hoped that he would revive the revolutionary spirit of the Kmt and institute necessary reforms. Marshal Li stated that he has always urged Chiang to consider the interests of the people, but that Chiang consistently has refused to do this, and that there is no possibility that he will change his policy now. He said that conditions within China have become so serious that the Gimo and his close followers are becoming more concerned with their struggle for survival in power than they are with seeking effective means to cope with the rapid deterioration of the economic and military situations. Marshal Li pointed out that growing awareness by Kmt leaders of this selfish preoccupation of Chiang and the CC Clique, and of their inability to command the support and respect of the people in a degree sufficient to save the nation, is paving the way for early renunciation of the Generalissimo's leadership by the great majority of the party.

As Marshal Li categorically had stated that the Gimo and the CC Clique inevitably will collapse, he was asked if this collapse would occur as the result of Communist military and political pressure, or if the Revolutionary Committee expected actively to participate in bringing Chiang's regime to an end. Marshal Li assured Mr. Schultheis that the KmtRC plans to take action which will result in the collapse

⁶¹ Copy transmitted to the Department by the Consul General without covering despatch; received June 9.

of the Chiang regime and the establishment of a coalition government. He pointed out that everyone desires a cessation of the civil war, and that it therefore is vitally important that the KmtRC take the action which will lead to the re-establishment of peace. This will assure it of recognition and support, and will inspire confidence in the party.

In reply to a question as to the possibility of the resumption of the civil war at some time after the establishment of the projected coalition government, Marshal Li replied that he did not consider this a likelihood. In discussing this subject, Marshal Li implied that the overwhelming support which the reformed Kmt would receive from the people would so curtail Communist influence that the Communists would be incapable later of waging a successful civil war for the control of China. It was obvious from the Marshal's statements that he expects to receive very great support from all classes and groups in China. He claimed that a great majority of the Chinese people favor the Kmt, that they fundamentally are opposed to Communism, and that they will rally to the Kmt when it is placed on a revolutionary basis dedicated to the interests of the people and implementation of Dr. Sun's program. He did not consider relevant in China the characteristic of Communists elsewhere in the world to seek to attain control of individual countries in which Communist organizations function aggressively. While he admitted that the Communists have worked relentlessly in various European countries to acquire dictatorial control through all possible means, he said that the situation in China is entirely different, and that the Communists here are dissimilar in important respects to Communists elsewhere. (Although Marshal Li rejects the possibility that the civil war might be resumed at a later date after the Communists discovered that the rapid expansion of their following had declined or been halted under a coalition government, it must be conceded that a reformed Kmt which was capable of coping with the Communists politically in a coalition government would enjoy greater possibilities of success in a resumption of the armed struggle than does the present Government.)

Mr. Schultheis informed Marshal Li that the Embassy is interested in all phases of political developments in China, and that it desires to be accurately informed of all programs which possibly may affect the Chinese scene. He said that he hoped that Marshal Li would be willing to continue to furnish the Embassy, through this office, with information concerning his program, and assured the Marshal that all such information would receive the most discreet treatment by the Embassy. Marshal Li replied that he appreciated the opportunity to maintain contact with the Embassy through the Consulate General, and promised his continued cooperation.

In connection with the foregoing account of Mr. Schultheis' interview with Marshal Li Chi-shen, there is included below a summary of statements recently made by C. Y. Li concerning the KmtRC.

Mr. Li informed Mr. Service that Marshal Li's understanding with the Chinese Communists dated from conversations which he held with Chou En-lai in Shanghai before the return of Chou to the Communist areas after the breakdown of the Marshall negotiations. According to Mr. Li, General Chou and the other Communist leaders who conferred with Marshal Li on the subject of the establishment of a coalition government promised Marshal Li that he could depend upon Communist support for the position of head of the new government, that the entire question of the purging of party members of the Kmt would be left to Marshal Li and his associates, and that the Chinese Communist and Central Government forces would cease all military operations and would remain in their positions from the moment when the Generalissimo ceased to control the Central Government. C. Y. Li made this statement when he was asked with whom the KmtRC is negotiating at present in their relations with the Communists. He said that the local Communist leadership is well aware of the basic understanding which exists between Marshal Li and the Chinese Communist party.

A few days after Mr. Schultheis' interview with Marshal Li on May 10, Mr. Li informed Mr. Service that Marshal Li had not spoken as frankly or fully of the actual plans of the Revolutionary Committee as he would have cared to. When asked to explain why Marshal Li had refrained from furnishing Mr. Schultheis with all information which it was possible to release to the Embassy at this time, Mr. Li replied that Marshal Li had told him after the interview that he had hoped to be shown positive credentials establishing Mr. Schultheis' identity; it appears that the Marshal had expected Mr. Schultheis to exhibit a letter from Ambassador Stuart, or some similar document, empowering him to receive from the Marshal information of the "eyes alone" type for the personal and top secret information of the Ambassador. Mr. Li explained that the Marshal is extremely cautious in making known to the Embassy vital information which, if leaked, would seriously compromise success of the movement. He said that it was his personal impression that the Marshal was willing to furnish Ambassador Stuart with considerably more definite data than had been given thus far, and that he would be willing to give such information to a senior member of the Embassy staff, if such an officer specifically was authorized by the Ambassador to see the Marshal, and was instructed by the Ambassador to transmit the information only to the Ambassador himself. It may be assumed that the

Marshal, on the one hand, is desirous of establishing amicable relations with the Embassy, while on the other hand, he is unwilling to take any chances on the premature release of information which might embarrass his movements.

In illustration of the danger of information leaks, C. Y. Li informed Mr. Service that Marshal Li recently has received word from Li Ts'ung-jen concerning one of the last pre-election interviews of Li with the Generalissimo. In this interview the Gimo is alleged to have informed General Li that he (Chiang) had not been opposed to the election of General Li to the position of Vice President until the receipt of written and positive evidence that General Li was pledged to cooperate with Marshal Li and the Revolutionary Committee. The Gimo is alleged to have accused General Li of betraying his party and conspiring to turn the country over to the Communists, and to have assured Li that he would prevent his election at all costs.

Respectfully yours,

JAMES E. McKENNA

593.00/5-2248: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 22, 1948—noon.

[Received May 24—6:30 a. m.]

928. Inauguration of new President was held on the morning of May 20 at a simple but impressive ceremony. The Generalissimo delivered a brief inaugural address in which he said nothing to which anyone could take exception and whose content, if carried out, would go a long way toward solving the internal problems of China. The only flaw in the ceremony was that Li Tsung-jen was largely ignored and was kept in the background at presentation of Diplomatic Corps.

Meanwhile, impasse over Legislative Yuan is entering a new and more serious phase. Chang Chun abandoned all pretense to the office by departing for Chungking May 21. Chen Li-fu had previously informed the Generalissimo that Chang Chun could have no expectation of securing vote of confidence in Legislative Yuan. Two leading contenders now are T. V. Soong and Ho Ying-chin, both of whom are uncertain they can command sufficient majority in Legislative Yuan to persuade them yet to accept office even though Soong is CC clique candidate.

The struggle now seems to have passed beyond the stage of personalities and into the realm of a major rebellion within interior party circles to leadership of Generalissimo. The failure of Soong as CC clique candidate to obtain assurances of large majority is one

indication thereof. Another indication is that May 20 the Generalissimo ordered a certain motion passed by CEC⁶² and lost it. He blames Chen Li-fu for this failure and has ordered him to resign from the CEC. Embassy will attempt to ascertain nature of motion. Evening May 20 Generalissimo entertained CEC at tea party. Less than two-thirds of members showed up. Disobedience of such a request, which normally would have been considered as a royal command, combined with inability to form Cabinet, is reported to have Generalissimo in highly nervous and irresolute state of mind.

Present course of action devised by CC clique has Generalissimo's approval:

(1) Ho Ying-chin to be given a final offer of Premiership and made to make his position very clear. Greatest possible pressure will be used on Ho.

(2) If Ho refuses it will be offered to Soong. He will accept if he feels he can command sufficient majority of the Legislative Yuan.

(3) If Soong refuses, Ho will be ordered to assume it and take his chances with the legislature, thus attempting to force CEC opposition to Generalissimo into the open. Soong might well then be put in charge of administering the American aid program. In light of developments during past week, prognostication of future developments is, of course, open to revision without notice.

This intra-party rebellion is doubtless more serious than that which the Generalissimo faced in the election of Li Tsung-jen because it is a rebellion in the inner circle on which Generalissimo has for years based his strength. If he fails at this juncture it will be difficult for him to reestablish his control. It must also be admitted that Chen Li-fu has given a good account of himself in the face of enormous odds. Confronted with a major revolt throughout the entire length and breadth of the party he still holds a major hand and he plays it well. Unlike many other party leaders he is demonstrating ability to play politics in the open as well as behind the scenes.

The activities of Li Tsung-jen during this period are still obscure. As far as can be ascertained at the moment, he seems to be largely passive. This may be partially due to a nervous let-down after a strenuous campaign. It may be also partially due to a weakness of leadership. He has stated privately that he does not know what to do now because the Generalissimo controls the Army, the Government finances and the party machine. For a brief period he even appeared to have given some consideration to going to the US on the grounds that he could accomplish more there than here.

Another development of some importance is the report, apparently true, that General Wang Yao-wu is being relieved of his military

⁶² Central Executive Committee (Kuomintang).

command⁶³ and his governorship of Shantung. He would be a serious loss to the National Government because he is one of the ablest military commanders in China and has had a highly successful and distinguished record as Governor of Shantung, which is his native province. There is one factor against him. It must be known by the Central Government by this time that Wang, for almost a year now, either directly or through trusted lieutenants, has been considering the establishment of an autonomous regime in Shantung under his own leadership; that he has discussed this question with various Americans, and that in recent months he has approached American officials on the possibility of obtaining American financial and military support for his regime should he feel developments in Nanking warrant such action on his part. The situation in Shantung is hardly improved by the possibility that Wang would be succeeded by General Teng Wen-yi⁶⁴ who has never commanded troops and has been a conspicuous failure as military spokesman in Nanking, but is Whampoa and completely loyal personally to the Generalissimo. Telegram has just been received from Shantung Provincial Assembly requesting financial and military aid for Shantung apart from that for National Government.

STUART

893.00/5-2448 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, May 24, 1948—3 p. m.

[Received May 25—3:25 a. m.]

221. Informed Chinese sources have advised ESD⁶⁵ that Wei⁶⁶ has completed plan wage counter-offensive northeast at propitious time. Is waiting for Communist complete present movement bulk troops westwards from north Mukden to Jehol province (thus eliminating Communist ability wage effective attack on Mukden) and then launch an attack against Communist main supply base Liaoyuan coordinated with Government troops in Changchun area. If Government could succeed capturing and destroying this base [this] would be serious setback Communist timetable both this area and North China. Any such movement would threaten basic Communist supply system and would upset Communist schedule in southward drive.

⁶³ Second War Area.

⁶⁴ Director of the Information and Civil Affairs Bureau of the Chinese Ministry of National Defense.

⁶⁵ External Survey Detachment.

⁶⁶ Gen. Wei Li-huang, Director of Generalissimo Chiang Kai-shek's Headquarters in the Northeast and Commander in Chief of the Northeast Bandit Suppression Headquarters.

Wei doing admirable job in northeast. Upon arrival Mukden in January this year faced with critical problems demoralized staff and troops, serious food shortages both civilian and military, and precarious ammunition shortage. Troops, also too few in number, were further wasted by having been deployed in small units numerous points where reinforcement or resupply impossible and annihilation inevitable when attacked by Communists.

Wei has now remedied situation to such extent only evident serious problem now confronting him are the food shortage and lack troops Chinchow area coordinate with him in opening supply line Hulutao-Mukden. Impossible Wei remedy troop shortages but is taking steps temporarily remedy food shortage by securing additional air lift supplies and obtaining for staff duty the services of American trained (Command and Staff School, Fort Leavenworth, Kansas) General Johnny Liu considered here by persons who have known him, to be one of China's most capable military supply men. Wei strengthened north by abandoning Kirin, moving troops to Changchun and increasing ammunition supply there from 20 days sustained defensive fighting to present 45 days supply. (Most informed sources believe Communist northeast not capable continuous offensive combat exceeding 30 days.) Government troops Changchun also relieving food shortages there by waging minor well planned and well executed counterattacks against Communists widening Changchun food supply area.

Wei has withstood criticism for not waging premature offensive warfare without proper preparation or reasonable expectation success. By conserving his troops and building up ammunition supply both Mukden and Changchun, Wei now in position deal heavy blow described above to Communists if they make any strategic errors and leave rear open to attack.

Wei continues strengthen Mukden. Is placing direct combat responsibility on American trained officers, sending them field with troops rather than elevating them easy desk jobs. Feeling confidence Government ability hold Mukden permitted armed forces. For first time in over year commercial aviation companies leaving planes on Mukden airfields overnight. Feeling prevails among majority Chinese and foreign observers immediate military situation Mukden more secure today than at any time during past year. Generally believed only factors which could alter local military situation during summer months are: (1) breakdown of supply of foodstuffs to Army, (2) complete collapse of Nanking Government and (3) reinforcement of Communists by outside forces.

Sent Department 221, pass Nanking 213.

893.00/5-2448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 24, 1948—5 p. m.

[Received May 24—9:08 a. m.]

934. Prior to my departure for a brief visit to Taiwan, Generalissimo asked me to call on him. I found him in a calmer frame of mind than he had been reported to be on previous days. Madame Chiang was not present, possibly because of the delicacy of her position in view of the possibility that her brother might be named Premier.

I took advantage of the occasion to express a few of my opinions on the current situation in China and what I believed the general course of action should be. I told the Generalissimo that the American people were gravely disturbed over the friction which had arisen in the Nationalist Assembly and which was now becoming increasingly apparent in the Legislative Yuan. I said that now is the time for strong and decisive action and that someone should be appointed as Premier who could undertake such action. The Generalissimo interposed at this moment that he agreed completely and that he had honestly hoped himself to assume the position of Premier and deeply regretted his plans had gone astray.

I then went on to point out that the reform movement which Li Tsung-jen symbolizes represents a new force in China which cannot be quenched; that now is the time for reforms; and that unless the Generalissimo gives it, some one else will. I suggested that the first step should be the dissolution of the CC Clique. The Generalissimo expressed his general agreement and said he hoped I would feel free at any time to express to him anything I might have on my mind. He said he realized the criticalness of the present position and that much of the future will depend on what happens now. He then went on to say that Chang Chun is out of the question as Premier because he lacks forcefulness. In answer to my query, he ruled out T. V. Soong on grounds he could not receive a majority in the Legislative Yuan and is so desperately needed in Kwangtung. The Generalissimo said he had every expectation that Ho Ying-chin would accept the position.

I asked the Generalissimo if he had any objections to my trip to Taiwan. He replied at once that he did not; if he needed me, he would ask me to return.

Subsequent to this interview, Philip Fugh⁶⁷ called on Ho Ying-chin who expressed great surprise at the Generalissimo's confidence that he would accept the post as Premier. Ho said that whereas he was still considering the matter, the question depended in large measure on who would be Minister of Finance. He did not indicate whom he would

⁶⁷ Secretary to the Ambassador in China.

like to see as Finance Minister though I do know he would not accept Chang Kia-ngau who at present appears to be a strong possibility since he has resigned as Governor of the Central Bank and has been replaced by O. K. Yui.

With the elimination of Chang Chun and T. V. Soong, both of whom have already left Nanking; and in the event that Ho finally refuses, I would venture to suggest the possibility that the position might be offered to Wang Shih-chieh⁶⁸ who commands general respect for his intelligence, integrity and honesty but who would hardly provide strong leadership and has no substantial following in the party.

STUART

893.002/5-2448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 24, 1948—6 p. m.
[Received May 24—10:29 a. m.]

935. Ho Ying-chin made final refusal of premiership the night of May 23. With approval of Kmt CEC, Generalissimo sent to Legislative Yuan for approval name of Wong Wen-hao.⁶⁹ During apathetic session no other name was proposed. Final vote on confirmation 499-94. Wong is a man of recognized ability in economic matters and personal integrity. He is not, however, forceful and has no personal political following. Generalissimo justified this selection to Legislative Yuan on basis that Wong will have a favorable foreign press and as an economist will be a good man to oversee implementation of American aid program.

Basically, Wong's election means that no solution has yet been found for political crisis within Kmt and that its resolution has only been postponed. We believe Wong will find himself in the unhappy position of being caught helplessly between the millstones of a headstrong and self-willed Generalissimo and a rebellious Legislative Yuan.

STUART

893.00/5-2648 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, May 26, 1948—11 a. m.
[Received May 26—10:31 a. m.]

228. Communists, realizing danger rear occasioned by presence large, well-equipped Government force to rear in Changchun (mytel 221 to Department, repeated 293 [213] to Embassy, dated May 24),

⁶⁸ Chinese Minister for Foreign Affairs.

⁶⁹ Chairman of the Chinese National Resources Commission.

now attacking with 3 divisions, west independent 5, north independent 10 and 18 division of 6th column. Last-named unit considered one Communist's best and has been formerly used as "shock troops" in launching an attack. Sixteen division Communist 6th column now between Ssuning and Changchun moving northwards. Attack commanded by Chou Pao-cheng who commanded Communists when they captured Changchun 2 years ago.

Communist 2 and 3 columns formerly in Hsian area preparing move westwards towards Ssuning. These two columns considered Communist's best northeast. Their deployment after reaching Ssuning may determine whether present unclear situation Changchun merely attempt drive Government forces Changchun back into state close siege or definitely capture city. Some sources, including ESD, advancing possibility attack on Changchun, which will be costly for Communists if capture attempted, is compromise between Russian-controlled Chinese elements who are believed to have desired immediate complete conquest northeast and Mao Tze-tung and Lin Piao⁷⁰ group, believed to have thought northeast liquidated all practical purposes and who desired conserve troops for southern intramural China rather than waste on costly attacks of Mukden-Changchun. Believed too early accurately appraise situation.

Main body Communist 10th column, north Mukden in Tiehling area, moving westwards. Advance elements have [passed] Faku on way to Changwu. Remnants of column still remain Kaiyuan-Tiehling areas. If all units above move as presently indicated, area north Mukden to Ssuning will be practically devoid Communist troops. Some elements Communist 4th column south Mukden believed moving westwards. Main body not yet sufficiently committed as certain [uncertain?] whether entire unit will move. If it does, Communist units south Mukden will consist 1 column and 6 independent divisions.

Sent Department 228, pass Nanking as 297.

WARD

893.00/5-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 26, 1948—11 a. m.

[Received 11:03 a. m.]

947. It is our opinion that emergence of Marshal Li Chi-shen as leader of Government would probably be widely welcomed in National China by all elements except those most closely associated with Generalissimo, Deptel 744, May 18. As we have previously reported, there exists among politically conscious individuals general apprehension that the present Government's lack of effective leadership

⁷⁰ General Lin was the supreme Communist commander in Manchuria.

facilitates rapid spread of Communism. Communist military successes, growing economic distress and unrest in National China, Generalissimo's maneuvers in installation of constitutional government, his current difficulties in finding acceptable Premier and his selection of political nonentity to this post all contribute to and reenforce this fear. Among less politically minded masses, suffering from maladministration and inadequate leadership blame for plight is, to increasing degree, placed on Generalissimo and associates. Generalissimo has lost much prestige of late. In this situation, change in Government leadership would be welcomed by a steadily increasing number provided new leaders could attract popular confidence and advance popular policies. Inspired leadership is desperately needed. Marshal Li Chi-shen is generally recognized as competent administrator whose patriotism and personal integrity are above question. He would probably gain confidence of politically minded elements and his policy of mediated end to civil war would attract support from all those who have lost faith in ability of present Government to force favorable military decision. Given these factors, given his military connections and fact that he is senior military commander in China after Generalissimo, and considering his close relations with provincial political leaders, we believe it entirely possible that his movement may prove the rallying point for dissident elements in Kmt and, should it move from Hong Kong to national territory, may attract sufficiently strong support to enable it to offer effective government.

As to question of relative effectiveness present Government and hypothetical government under Marshal Li in halting spread Communism, Department will appreciate that too many factors are involved to permit firm prediction. However, it remains our belief that the present Government lacks capability to halt spread communism and will continue to lack this capability unless, as seems unlikely, it can find the inspired leadership needed to rally the people and restore to national armies a will to fight. The Generalissimo cannot be expected to provide that leadership as he seems incapable of change and gives every evidence of an intention to persist in the personal rule which has resulted in present sad state of affairs. Unless, therefore, we are willing to become dangerously involved in responsibility for governing China and directing the civil war, which we do not recommend, we look for further disintegration of the Government's position until it is replaced by revolution from within, such as that sponsored by Li, or until it is replaced by the Communists. At this stage it is impossible to forecast positively that government under Marshal Li could be more effective and efficient than present Government in utilizing national, political, military and economic resources against Communists. Nevertheless, such government would have greater measure of public support and confidence and broader

base and might be expected to attract and use more talents than present regime. Whether this would be sufficient to task at hand is not susceptible to prior determination. However, the record of Li Chi-shen, Pai Chung-hsi and Li Tsung-jen in the days when the Liang Kuang⁷¹ were models of provincial government gives cause for encouragement.

In present government, role of General Li Tsung-jen is strictly limited by constitution to presidential succession in event president loses office. Even this right of succession is only implicit. As previously reported, vice-presidential office gives General Li no more than platform publicize views. His support in National Assembly would lend authority these views if this support could be organized. However, far as we are aware General Li has not organized his support. He is despondent, stating he can see no way to effect changes in Government since Generalissimo controls finances and army. Thus, emergence of General Li's effective political influence is probably dependent on outside factors such as Marshal Li's Kmt reform party. Circumstances in which this group would come into power would determine ultimate leadership, but General Li would probably be subordinate to Marshal Li. Also on basis their past relations and present association, it is probable that they would cooperate closely and with Pai Chung-hsi it is likely that they would accept subordinate role.

Those present at interview were Marshal Li, Li Tso-hsien, associate of Marshal Li, Vice Consul Richard Service and Frederic Schultheis, Embassy Attaché. Marshal Li was aware of presence of Embassy officer in Hong Kong and requested interview to describe his views. Interview took place at home Li Tso-hsien, whose relation with Marshal Li are described in Hong Kong unnumbered despatch of April 5.⁷² Marshal Li requested that knowledge of meeting be kept from other dissident groups Hong Kong.

STUART

893.00/5-2748 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, May 27, 1948—11 a. m.

[Received May 28—3:41 a. m.]

232. Rumors current that Chinese Communists have proclaimed independent govt for North China with capital in Shensi Province indicate if true that Moscow-oriented elements among Chinese Communists now wield dominant power over China-oriented elements in that former have allegedly favored regional govts (which in case Man-

⁷¹ Two Kuang provinces (Kuangtung and Kuangsi).

⁷² *Ante*, p. 182.

churia, Sinkiang, and other northern border regions would prove beneficial to Soviet Union) whereas latter favored all-China Communist Govt. If above rumor correct, it probably explains sudden unexpected and vigorous Communist drive on Changchun now under way since it likely proclamation independent Manchurian Govt in offing but such proclamation will be withheld until Communists in possession one of Manchurian traditional capitals (Mukden and Changchun). Mukden today believed practically impregnable, whereas isolated war-weary garrison at Changchun may choose surrender rather than resolute defense if grossly outnumbered.

Pass Nanking 203.

WARD

893.00/5-2748 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, May 27, 1948—4 p. m.

[Received May 27—9:31 a. m.]

1187. ReConGen's 767, May 6, 999 to Department; 1137, May 29 [21, to] Department,⁷³ 903 [to] Nanking; 928, May 25, 1165 to Department.⁷⁴ Ultimate extent anti-American campaign in Shanghai universities, sparked at Shanghai student meeting Chiao Tung University May 20, so far uncertain. American Mission-owned St. John's University has figured prominently in current movement and apparently is being utilized as center of activities because police have refrained in past from interfering in student trouble at that institution. School authorities expect climax will be reached 28th with student rally, in which students four other universities will join. Fearing tension may not have subsided by next week, faculty has decided cancel tentative plans reception on campus in my honor. American dean and staff St. John's disturbed over fact Chinese professors have stimulated students by their overt criticisms American policies and feel President Tu has not wholeheartedly attempted dissuade students. (Tu candidly admitted to ConGen officer he believed Draper report ⁷⁵ is cause of current anti-American aspect of student agitation.

⁷³ Latter not printed.

⁷⁴ Not printed.

⁷⁵ Maj. Gen. William H. Draper, Jr., Under Secretary of the Army, accompanied an Advisory Group under chairmanship of Percy H. Johnston (chairman of the Chemical Bank of New York) to Japan and Korea. On return from 3-week trip, he issued a public statement, the last paragraph of which read: "As an occupying power we have accepted a flag responsibility. We believe the United States can discharge this responsibility better, and end it earlier by concentrating on economic recovery and gradually reducing relief. Our group therefore recommends approval and implementation by our Government of the suggested recovery program at the earliest possible date." *Foreign Aid Appropriation Bill for 1949*: Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 80th Cong., 2d sess., pt. 2, p. 84.

His interpretation report is same as *Ta Kung Pao* which is intellectuals' newspaper).

Poll of student opinion was recently held at all Shanghai universities on questions involving intent of American policy in Japan. St. John's students sent results its poll to number Shanghai papers but with exception Soviet-owned *Shih Tai Jih Pao* Chinese language papers too wary to use material. St. John's authorities unable state how poll conducted but felt confident showing of 90 percent unfavorable reaction American policy not truly representative positive student opinion. Following are questions on which student opinion was solicited:

1. Jap fascism has revived; do you think it will result in another Jap invasion of China?

2. Who are main supporters of revival Jap aggression? (a) True reactionaries? (b) Jap fascist leaders? (c) Enterprise of common Jap people?

3. What is American aim for supporting revival of Japan? (a) American self-interest aiming at seizure Far East markets? (b) True interest in Jap welfare? (c) Anti-Soviet move to check counter-move by USSR?

4. What do you think will be most effective move check revival Jap aggression? (a) To depend on fate and do nothing? (b) To organize people all over China for concerted action in opposing American imperialism and demand strong action by Government (Chinese)?

As can be seen, questions are heavily weighted and punch line is last question which calls for application force of Chinese public opinion on National Government to defeat American designs promote "self-interest" in Far East. There does not appear to be any doubt anti-Government forces behind this exceedingly adroit maneuver to reach public on issue upon which there is popular agreement; that interests of China are being sacrificed upon altar unilateral American policy in Japan which Chinese Government has done little to oppose. On face evidence is lacking of any behind scene manipulation by Government factions. It is believed that authorities, if so inclined, would be hesitant attempt forcible suppression of campaign for fear running risk public censure for interfering patriotic gesture of students.

One very well-informed and astute Chinese source contacted yesterday warned ConGen altho informed persons generally do cognize [*recognize*] current anti-American move in reality aimed at discrediting and embarrassing Government, there is danger this might mark first step in development attitude of suspicion and antagonism towards American policies such as characterized Chinese attitude toward British in past years. He strongly advised American Government make immediate effort check this development by arranging

effective distribution and use factual material capable counteracting impressions made by current anti-American propaganda or prepare for future crystallization of serious anti-Americanism here.

With completely inadequate personnel and material at hand we are trying to get facts to public, especially students. Since Chinese press does not copy USIS⁷⁶ handouts, and anything having US official stamp is considered suspect, we are seeking university groups who will disseminate our story in their own name to counteract organized groups subsidized by extreme left and extreme right interests. Central News Agency reports from Japan widely printed here continue to fan flame.

Sent Department 1187, pouched Nanking.

CABOT

893.00/5-2748

The Consul General at Mukden (Ward) to the Secretary of State

No. 21

MUKDEN, May 27, 1948.

[Received June 4.]

The Consul General has the honor to report that newspapers and individuals representative of Chinese opinion in Mukden have shown careful attention to the determined efforts by Northeast delegates to the National Assembly, formed into a "Petition Group," to obtain at Nanking reforms in administration of the Northeast. Progressive dissipation of local military, political and economic resources has raised the level of their criticism from private muttering to anger publicly expressed. Now, two months after presentation of the petition, it is evident that the Group has not been granted its major demands. The Government has indeed accorded Northeasterners higher personal rank than heretofore (still not exceeding secondary levels in the Northeast), and it is at last moving toward organization of militia: but neither a determined military program nor fiscal equality with Intramural China is in prospect for the Northeast, while food relief and diminution of absentee governments have not exceeded the value of a token. Despite its nominal failure, however, the Petition Group retains a final significance—within it have coalesced resourceful Northeasterners who for the first time have dared publicly to expose exploitation of the Northeast in bitter terms, to dramatize the split between Intramural and local attitudes and to call upon the Northeast people for unity in pressing for redress.

Backed by the Liaoning Provincial and the Mukden Municipal

⁷⁶ United States Information Service.

Peoples' Councils, the Group has sought the following concessions, probably in their descending order of importance:*

1. Military reinforcements for the Northeast, as well as formation and arming of local self-defense units, commanded by local leaders.
2. Revision of fiscal policy in the direction of union between National (CNC) and Northeastern currency; at least that the existing balance be maintained: Northeast currency be admitted to Intramural circulation if CNC is introduced to circulation in the Northeast, remittance traffic across the Wall remain unrestricted, and the rate of exchange remain at the level prevailing during the past two years (CNC 11.5 equals about NE 1).
3. Agricultural loans and food relief.
4. Reduction in size of National "absentee" governments of provinces and municipalities held by the Communists.
5. Educational facilities in Peiping for refugee students from the Northeast.

The petitioners are genuinely identified with the Northeast by birth and/or prewar residence. They are, however, without exception men of personal wealth, with irrevocable stakes in the maintenance of National (or some other Right-Wing) power in the Northeast. Their local supporters, dominant in the Mukden City and Liaoning Provincial Peoples' Council,† have a comparable economic status. Only within this limited sense does the Petition Group represent the people of the Northeast—and the petition itself obviously is colored deeply by solicitude for the petitioners' personal holdings. Indeed, one local newspaper published the report that votes in the election of the Municipal Council were purchased for the equivalent of U. S. \$1 each. Yet the Petition Group derives general popular support because it is the first really outspoken, formal outcry against "Southern Reconstruction," which clearly has helped the civil war and the Soviets to ruin the economy of the Northeast at substantial personal profit for the officials concerned.

[Here follows detailed account of petition situation.]

W[ARD]

893.00/5-2848: Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, May 28, 1948—6 p. m.

[Received May 28—8:50 a. m.]

1207. Chase,⁷⁷ returned from 8-day Fukien trip, reports by way of preliminary summary following outstanding impressions of Fukien Chinese political attitudes based on opinions expressed to him by

**Central Daily*, February 19; *Peace Daily*, March 7. [Footnote in the original.]

†*Peace Daily*, March 7; *Central Daily*, March 9. [Footnote in the original.]

⁷⁷ Augustus S. Chase, Consul at Shanghai.

numerous missionaries, other foreigners in daily contact with natives and on his own personal talks with many officials and other Chinese:

1. Evidence overwhelming great majority people believe Nanking regime as hitherto constituted is utterly hopeless and no alleviation of nation's ills can be expected until Generalissimo and his reactionary politicians are ousted and until war is ended. Unpopularity of Generalissimo is everywhere apparent and need for riddance of "whole Soong dynasty" was frequently expressed.

2. Testimony without exception indicated general popularity of Li Tsung-jen and strong approval by public and most officials of his election, though some voiced fears he lacks sufficient power to lead accomplishment of needed reforms. Wong Wen-hao's appointment also very popular. (Some sympathy for Li Chi-shen, with hope of his reaching understanding with Li Tsung-jen, was sensed, though not conclusively established.)

3. Re Communism, most significant factor is not what can be seen of tangible Communist achievements such as guerrilla penetration and student agitation, which seem markedly less advanced than in Yangtze area, but what might be described as nonresistibility to Communism. This characteristic attributable to economic misery, disgust with present regime, susceptibility to Communist propaganda and conviction in superior strength of Communists, appears to have significantly affected thinking among all groups of population from peasants to intellectual and even official circles.

4. There is universal hatred of military conscription and intense desire to end war which is regarded as doomed to failure and cause of country's entire economic plight.

5. Resultant prevalent mood of province does not yet seem of dynamic character threatening positive action toward overthrow present government. In keeping with province's traditional overseas orientation and relative isolation from interest in national affairs, it appears to be more a negative and defeatist attitude, which, while not seeking to aid or embrace Communism, feels it perhaps worth trying as offering at least as much as present regime and in any case not alarming enough to justify risk of actively opposing it. This attitude is believed to account for apparent disinterest of officials in facing Communist issue squarely and would probably result in province offering no more resistance than it did to Japs in event of Communist push across Yangtze.

6. Despite disgust with Nanking and war and susceptibility to Communism thought, anti-foreignism is less evidenced than at Shanghai and feeling toward America generally very friendly though many seem to hope for renewed American help in negotiating peace with Communists and/or US-USSR *rapprochement*.

Local officials, while friendly, are generally characterized as colorless, ineffectual and unusually corrupt. Noteworthy exception is governor, whom foreigners regard as able administrator. Influence of CC clique and Kmt generally is much less than at Shanghai.

Sent Nanking 962, repeated Department 1207, pouched Canton and Hong Kong.

893.00/5-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 29, 1948—3 p. m.

[Received May 29—8:45 a. m.]

974. After consultation with Military Attaché,⁷⁸ we believe Wei Li-huang lacks capability mount offensive against Liaoyuan on scale necessary take that point, Mukden's 221, May 24. Wei's primary problem is one of supply for army and civilian population Mukden area. This dictated offensive action southwestward to open land communications with Chinchow. Although bulk of Communist forces were reorganizing north Mukden through 6 weeks' period just past, Wei categorically stated that he was unable open this line. Recent Communist moves toward Chinchow effectively contain Chinchow garrison and prevent its movement to effect junction with Wei's forces. Thus, in our opinion, Wei lacks capability take only action which would improve his logistic situation, which is his primary concern.

Changchun garrison, surrounded [by] sixth CCP column plus 12 independent divisions, is being driven into city fortifications and could not participate in coordinated attack on Liaoyuan. Communists have protected Liaoyuan supply base through seventh offensive and can continue to protect it, even though they are now moving forces into Jehol and Chinchow area.

Present airlift supplies Chinchow to Mukden meets less than minimum army needs and fails to alleviate food shortage civilian population. Shortage aircraft and other factors impose practical limits on scale this operation, which only postpones acutely critical material shortages for Wei's troops. Ministry National Defense states that no reinforcements can be furnished northeast until Communists are driven from central China. While Ministry has 6 months' timetable for this operation, there is little prospect that it will meet with any substantial success within that, or even longer, period unless there is a complete reversal of present trends.

Although Wei has undoubtedly improved Government's military position in northeast, limitations imposed on him by shortage of troops and growing scarcity food make him powerless take further action remedy his strategic position and enforce on him purely defensive role in which his strength is gradually and inevitably reduced by attrition. He can conduct very long-term defense Mukden against forces Communists now able bring against him, and there is no apparent reason why Communists should attempt take Mukden by assault. However, under conditions now obtained and likely obtain through predictable future, there is no likelihood that Government forces south

⁷⁸ Brig. Gen. Robert H. Soule.

of Wall can come to his relief. It looks to us, therefore, as though Wei has no recourse other than to sit tight in Mukden and await eventual Communist assault when his defenses have sufficiently deteriorated.

Sent Dept 974. Dept pass Mukden as 103.

STUART

893.00/5-3148 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, May 31, 1948—6 p. m.

[Received May 31—5:17 a. m.]

1222. In view of anti-American demonstrations at Shanghai universities and colleges planned for the day in observance May 30 incident, I took occasion during my Memorial Day address to direct attention of students participating in campaign to sinister propaganda being used by forces contriving to estrange Chinese and Americans. I emphasized points in our Japan program upon which they were being completely and deliberately misinformed, following much same line adopted in my address before Sino-American group on April 30 which has been reported to Department.⁷⁹ Following are pertinent excerpts from my address, full text of which is being airmailed:⁸⁰

"It was ever tyranny's aim to divide and conquer. It was ever tyranny's method to dominate by ignorance and falsehood—let us not forget that is precisely what the malevolent forces abroad in the world today are seeking. They would have us forget the honored dead—American and Chinese—who fell destroying the Japanese and Nazi tyrannies. To impose their tyranny on the world these forces would set Chinese youth against American, and American against Chinese. Towards the Chinese students who have lent themselves to this misguided campaign we must feel not malice but charity."

Address was given exceptionally wide coverage in local Chinese press on 31st. *Chung Yang Jih Pao*, official Kuomintang organ, General Ku Chu-tung's *Chien Sien Jih Pao*, and influential *Sin Wen Pao* (CC Clique) carried full text prominently displayed. Other important papers quoting speech in part were Catholic *Yi Shih Pao*, *Shun Pao* (CC), local Kuomintang organ *Cheng Yien Pao*, Army Kuomintang *Ho Ping Jih Pao* and *Tung Nan Jih Pao* (Kuomintang Southeast China organ). *Ta Kung Pao*, whose consistent and violent attacks upon American policy have been reported in detail to Department, made no mention of address or of American memorial services held in Shanghai.

Sent Department 1222; repeated Nanking 979.

CABOT

⁷⁹ Despatch No. 441, May 7, not printed.

⁸⁰ Despatch No. 528, June 1, not printed.

893.00/6-148 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, June 1, 1948.

[Received June 1—5 : 14 a. m.]

1226. No incident reported on local campuses during May 30 demonstrations. Following day free-for-all occurred at Shanghai College of Law when group students insisted adding huge photo Mao Tse-tung to exhibition anti-American Japan aid posters and news articles. Police interference ended fight. Five students reported seriously injured and removed hospital. Trouble again broke out between opposing groups during meeting later in day.

Anti-American demonstration planned by St. John's students 31 ordered banned by President Tu who instructed student council confine meeting solely installation its officers. Order ignored and meeting dealt with American-Japan policy. Resolution passed urging American people elect Wallace⁸¹ next president. Meeting sparsely attended due heavy rainfall. University authorities preparing take action against students for disobedience order.

News despatch from Foochow reports anti-American movement growing in Fukien and that parade of 3,000 Amoy students held on 30.

CABOT

893.00/6-148

The Director of the Office of Far Eastern Affairs (Butterworth) to the Minister-Counselor of Embassy in China (Clark)

WASHINGTON, June 1, 1948.

DEAR LEWIS: We have been very much interested in the theme developed in your telegrams regarding Marshal Li Chi-shen, culminating in the Embassy's 947 of May 26. At the same time we have been somewhat surprised at the potential strength and influence which are ascribed to Marshal Li and his movement.

It has been our impression that Marshal Li was a figure of integrity and some ability but that he lacked the qualities of forceful leadership necessary to guide a movement against the present group in power at Nanking. Except for the Democratic League members, who in 1944 looked to Marshal Li to lead a separatist movement in southeast China and who apparently still look upon him as the savior of China, we know of few Chinese who have given any indication of taking seriously Marshal Li's pretensions to leadership and power. He has been in Hong Kong for at least two years; he established his Kuomin-

⁸¹ Henry A. Wallace, Vice President, 1941-45; Presidential candidate of Progressive Party, 1948.

tang Revolutionary Committee toward the end of 1947; and his record of opposition to the Generalissimo and the present Kuomintang leadership dates back to the late 20's when he was under virtual arrest in Nanking for a year or more and to 1934 when he led a short-lived rebellion in Fukien against the Nanking Government. It is difficult to understand why he should suddenly emerge as the "man on horseback" at this juncture. While it seems possible that he might in time become the head of a larger movement against the present Nanking leadership, his past performance and the indications of his capabilities do not seem to offer hope that he himself could provide the spark and leadership for such a movement.

We are aware that our detachment from the actual scene and our dependence upon reports from the field and upon background knowledge gained in previous years may have led us astray in our thinking on these developments. Therefore, we should appreciate any further light you can throw on this possible development which would tend to substantiate the thesis that Marshal Li's emergence as the leader of the government would probably be widely welcomed in Nationalist China by all elements except those most closely associated with the Generalissimo.

The announcement of the new cabinet gives almost perfect confirmation of *plus ça change, plus c'est la même chose*. We shall look forward to your interpretation of the changes. There certainly seem to be no real changes except possibly for the worse in the person of Ho Ying-chin. It is barely possible that his long sojourn in the United States and his new-found Oxford Grouper leanings may have produced a new man. At any rate we shall learn in due course the extent to which China and the United States have benefited from his exposure to this country.

With all good wishes.

As ever,

W. WALTON BUTTERWORTH

893.00/6-148 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, June 1, 1948—7 p. m.

[Received June 2—6:17 a. m.]

1234. Re ConGen's 983 to Nanking, repeated Department 1226. Violent anti-Government posters, seized by police on 31st from anti-Government anti-American exhibit on Shanghai Law College campus, have been put on display at municipal government building. University presidents, city councillors, press and other organizations have been invited attend exhibition this afternoon which is being held

presumably to justify arrest of 5 students who allegedly sponsored anti-Government movement on campus.

According to press descriptions, anti-Government posters in question were largely directed against Generalissimo personally. Two of posters likening him to Yuan Shih-kai, imply he is traitor so [*in*] that his action in agreeing US Japan policy parallels Yuan's acceptance Japanese 21 demands.⁸²

Sent Nanking 992, repeated Department 1234.

CABOT

893.00/6-248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 2, 1948.

[Received June 2—8:26 a. m.]

992. New Cabinet was announced June 1 and held first meeting same day. Membership as follows:

President of Executive Yuan, Wong Wen-hao;
 Vice-President, Ku Meng-yu;
 Secretary-General, Li Wei-kuo;
 Deputy Secretary-General, Liang Ying-wen;
 Minister of Interior, Chang Li-sheng;
 Foreign Affairs, Wang Shih-chieh;
 National Defense, Ho Ying-chin;
 Finance, Wang Yun-wu;
 Justice, Hsieh Kwan-sheng;
 Agriculture and Forestry, Tso Shun-sheng;
 Industry and Commerce, Chen Chi-tien;
 Communications, David Ta-wei Yu;
 Social Affairs, Ku Cheng-kang;
 Water Conservancy, Hsueh Tu-pi;
 Land Administration, Li Ching-chai;
 Health, Y. T. Tsur;
 Food, Kwan Chi-yu;
 Audit, Hsu Kan;
 Ministers without Portfolio: Yang Yung Chun, Cheng Chen-wen,
 Lei Chen, Hollington Tong;
 Chairman of National Resources Commission, Sun Yueh-chi;
 Mongolian and Tibetan Affairs Commission, Hsu Shih-ying;
 Overseas Affairs Commission, Liu Wei-chin;
 Government Information Office, Hollington K. Tong.

Two additional Ministers without Portfolio posts being reserved for Democratic Socialist Party.

STUART

⁸² For correspondence concerning the movement in 1915 under the Presidency of Yuan Shih-kai to restore monarchical government in China and concerning Japanese demands on China, see *Foreign Relations*, 1915, pp. 44 ff. and *ibid.*, 1916, pp. 51 ff.

CHAPTER V: JUNE 2-AUGUST 9, 1948

Increasing popular dissatisfaction with National Government; anti-Government and anti-American student demonstrations; speculation regarding possible formation of regional governments and plans of Kuomintang Revolutionary Committee to establish provisional government

893.00B/6-248

The Ambassador in China (Stuart) to the Secretary of State

No. 257

NANKING, June 2, 1948.

[Received June 14.]

SIR: From a source which has just returned from Hong Kong and which I have every reason to believe to be reliable, I have obtained the following information:

Communist Headquarters in Hong Kong apparently controls Communist activities in Southeast Asia, including South China. The chief of the headquarters was P'an Tzu-kang, but he has been replaced by Hua Kang. This change is said to have been made because of P'an's extremist policy in alienating other potentially friendly groups such as the Democratic League, Li Chi-shen.⁸³ With the assumption of office by Hua Kang, there has been a more tolerant attitude evident toward these potentially friendly groups. The most significant instance of this is perhaps the readiness of the Communists, after the recent elections, to denounce both the Generalissimo⁸⁴ and Li Tsung-jen,⁸⁵ the latter more especially because he carried a certain measure of popular support. However, Hua Kang reversed P'an's plan and made an attempt to approach the Vice President through Li Chi-shen. Although the two Li's are both Kwangsi men, Li Tsung-jen is said to have made no response to this advance and that, therefore, a resumption of peace talks is now out of the question although they may be revived before long for three reasons:

(1) The Communist Party could easily convene the P. C. C.⁸⁶ in their "liberated areas" either in Yenan or Manchuria but they have not done so;

(2) They could assemble their own National Assembly and declare the autonomy of Manchuria or other regions, but again they have refrained;

(3) The Russians in Manchuria have offered their assistance to the Chinese Communists in matters like ammunition in order to help them occupy Chinchow, but the Communists have not gone further than to accept 35 military advisers and some pieces of artillery.

⁸³ Marshal Li was chairman of the Kuomintang Revolutionary Committee.

⁸⁴ Chiang Kai-shek, President of the Republic of China.

⁸⁵ Vice President of the Republic of China.

⁸⁶ Political Consultative Conference.

The Communist Party regards international developments as the guide to events in China as follows:

(1) If Soviet-American relations should improve, this would at once be followed by better relations between the Communists and the Kuomintang in China;

(2) Should the present tension lead to war between the United States and the Soviet Union, there would be a consequent intensification of the civil conflict in China;

(3) If again the tension between the United States and the Soviet Union continues unrelieved, this will be reflected in a similar inconclusive drifting in China.

The Soviet advice to China is said to be to set up three satellite states in the Northeast, Northwest and North, respectively, but not to do so at this time for fear of arousing Chinese nationalistic sentiment and increased American aid.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy

893.00/6-348 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, June 3, 1948—6 p. m.

[Received June 3—6:58 a. m.]

1242. All classes at St. John's University formally suspended today for balance term as result decision reached last night at faculty meeting. Action taken on grounds school authorities have lost control situation and no longer able maintain discipline. Final examinations moved up from June 21 to June 9. Consulate General informed school will not reopen until administration has been strengthened through reorganization and authorities feel confident institution will not in future be utilized as political arena. President Tu has submitted formal resignation upon which action by board directors still pending; however, there is apparently little doubt but that it will be accepted. Recalcitrant student minority behind agitation held press conference yesterday at which American faculty members blamed for "interference in Chinese student affairs". In notice posted on campus, students stated they would ask Government nationalize St. John's. They are further demanding reinstatement chairman and vice chairman student council who were dismissed for disobeying order banning May 31 meeting.

Press reports anti-American agitation has flared up again at Chiao-tung and Fuhtan Universities.

Meeting of university presidents, city councillors, press, et cetera,

called yesterday for viewing confiscated anti-Government posters (re Consulate General's 992, June 2 [1], repeated Department 1234), devoted to discussion of means for dealing with problem student discipline, but appears to have been unproductive.

Sent Nanking 1003, repeated Department 1242.

CABOT

893.00/6-448 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, June 4, 1948.

[Received June 3—10:50 p. m.]

1250. After several unheeded warnings Shanghai municipal authorities have suspended local Soviet-owned Chinese morning daily tabloid *Shi Tai Jih Pao*, 8000 circulation, for publishing anti-Government propaganda. Official indictment is based on Article 21-29 of publication law charging attempt "to disrupt peace and order, to disturb Government economic measures, to instigate students' and laborers' riots and to spread rumors".

Sent Department 1250, repeated Nanking 1006.

CABOT

893.00/6-448 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, June 4, 1948—9 a. m.

[Received June 5—9:25 a. m.]

244. Communist plans in Northeast uncertain to Government military leaders. Communists' strategy appeared clear in early May when several units moved westwards and others were in process preparing westward movement towards Chinchow and eastern Jehol areas. All observers both foreign and Chinese believed Communists then preparing seize or isolate ports used as supply bases Mukden and thereafter consolidate gains in Manchuria or southwards Peiping, Tientsin areas along Mukden, Peiping rail line or from Chengteh area. Without apparent reason Communists halted westward movement and moved units northwards closely surrounding Changchun from North, East and West. At present, Embassy has information from highly reliable sources Communists have 9 independent divisions and 1, possibly 2, regular Communist columns (total number troops 100,000) who in position attack Changchun whenever desired. Communist 3d column, one of best, now between Ssupingkai, and Changchun apparently moving northwards. Communists' 2d column,

another of their best, stationed at Ssupingkai, whence it can move northwards and westwards. Communists' 1st column, which had recently moved westwards to Chinchow area, now reported moving northwards towards Changchun. Communists' 10th column, north Mukden in Tiehling-Kaiyuan area, feinted westwards (my telegram 297 to Embassy, repeated 228 to Department) and then drew back to former positions. One division this column nearest Mukden now also reported moving northwards. At present only one Communist column remains in area north Mukden as far as Ssupingkai, and equivalent two columns area south of Mukden to Yingkow.

Informed Chinese and foreign military observers unable explain Communist moves Changchun area. Chinese are hoping all Communists will be centralized for all-out attack on Changchun. Such attack would undoubtedly succeed in capture of Changchun, but Government and neutral observers believe would be so costly to Communists that would be some time before they could again reorganize into potent fighting machine to threaten remainder northeast. Any such withdrawal for all-out attack on Changchun would also permit easy juncture Government forces cut in toward Mukden and resultant overland supply, lack of which appears be only cause Wei Li-huang's⁸⁷ possible early defeat in Northeast. Chinese therefore do not believe their hope for all-out Communist offensive against Changchun will be realized.

For reason or reasons definitely unknown to Government here, [Coms] have not waged anticipated spring offensive. Troops have had ample time for rest, regrouping and resupply. Roads dry at present and any further delay will necessitate fighting during summer rainy season which will hamper cart transportation used by Communists. Several theories as to Communist inactivity advanced (mytel 240 to Embassy, repeated 174 [175] Department, April 28)⁸⁸ one of which is based on information received from persons returning Communist occupied territory and from Communist radio broadcast that Communists are facing serious supply problems. Spring planting from Harbin south to Ssuping has been spotty and below planned level. Liquidation well-to-do farmers has resulted in loss effective use farm stock and farming tools, plus loss productivity of group possessing intelligence and initiative necessary direct large agricultural operations. When Communists began spring offensive year ago, Government had already planted crops. Communists captured most productive agricultural area during summer months and reaped Government harvest. Reports received by Consulate and Embassy indicate tremendous quantities foodstuffs shipped from northeast to

⁸⁷ Commander in Chief of Northeast Bandit Suppression Forces.

⁸⁸ Not printed.

Russia during winter months, possibly in exchange for needed Jap arms and ammo. Consequently, now confronted with cereal deficiency. Their recruiting for armed service has been so effective that young farm manpower has been depleted and Communists now find they do not have crops planted or surplus grains available for next winter. In addition, if Manchurian operations are successful, any future operations in North or Central China would have to be supplied from North. This statement based on numerous reports received of the increasing supply problem being faced by Communists in North and Central China. Recent arrivals from areas south Mukden state Communist liquidation well-to-do farmers, plus seizure of their draft animals for military purposes has been so thorough, that humans now performing tasks formerly performed by beasts of burden. This will necessarily reduce crops normally expected. Arrivals from Ssuning state Communists have now received orders to purge bourgeois agricultural elements, and instead are endeavoring court their cooperation, but this policy is bringing about distrust and impairing loyalty of land hungry groups upon whom Communists have relied for their main strength.

Another theory, less tangible, but which should not be ignored, is that Communist inactivity may be Soviet inspired in belief that forced truce may be effected near future. Adherents this theory refer to recent arrival of Soviet Ambassador,⁸⁹ known to have issued peace feelers before his return Russia some time ago, as basis for belief he has instructions from Moscow to effect truce advantageous to Soviet Union.

Above theories are conjectures based on inconclusive fact. It may be some time before Communist plans can be clearly discerned. Meanwhile Mukden enjoys complete absence military activity. Any shift Communist troops this area will require time and would have to be on such a scale that Government would have ample notice any Communist attempt attack city. Nevertheless Communist troops highly mobile and can within very short period organize thrust against Mukden and its environs. Furthermore, deteriorating food situation within Mukden defense island may create local restiveness or demoralization which could be exploited by sudden Communist thrust against this area. Although local situation calm, security not such as to warrant complacency.

Department pass Nanking 317.

WARD

⁸⁹ N. V. Roschin.

893.00/6-448 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, June 4, 1948—3 p. m.

[Received June 4—6:15 a. m.]

1256. ReContel 1003, June 3, repeated 1242 to Department. St. John's campus yesterday morning scene of reprisals taken by number students incensed over activities of agitators which necessitated order suspending classes. Mass rally being staged by leftist student council leaders broken up by this group and several students reported injured. Council chairman and vice chairman, who were suspended several days ago by school authorities, were driven from campus by students and beaten up by "outsiders". American member faculty informed Consulate General 20 "outsiders", whom he believed were plain-clothes men, had entered campus late in morning without being summoned by school authorities.

With resignation President Tu, school now under administration board of faculty in which Americans playing prominent part. Source asserts all tension on campus has now disappeared and no further disturbances there anticipated.

Sent Nanking 1010.

CABOT

893.00/6-448 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, June 4, 1948—5 p. m.

842. Full text by urgent tel Ambs Jun 4 speech or statement⁹⁰ would be appreciated since some news agencies playing story as virtual US official demand to ChiGovt to suppress student movement on pain no more aid. One version asserts Amb on instructions Dept presented formal note ChiGovt demanding suppressions.

MARSHALL

893.00/6-548 : Telegram

The Consul at Shanghai (Pilcher) to the Secretary of State

SHANGHAI, June 5, 1948—10 a. m.

[Received June 5—12:21 a. m.]

1260. Large anti-American student parade to be attempted today. Mayor⁹¹ informs me he has ordered universities participating to be

⁹⁰ For text transmitted in telegram of June 5, by the Ambassador in China, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 869.

⁹¹ K. C. Wu.

surrounded by cordons of police to prevent departure of students from campus and that plain-clothes men are being detailed to Consulate offices and other centers of American activities. Report received that students are preparing present anti-American Japan aid petition to Consul General this afternoon. Consulate General being officially closed, Mayor suggests that I do not appear.

Sent Department, Nanking 1013.

PILCHER

893.00/6-548 : Telegram

The Consul General at Tsingtao (Turner) to the Secretary of State

TSINGTAO, June 5, 1948—10 a. m.

[Received June 6—10:40 a. m.]

99. Strong⁹² returned from Tsinan with following information for Bird June 5: Commie columns which crossed Yellow River north of Hotze still inactive west of Tsingsin. Two columns some 10 miles north of Taian. One column attacking Tawenkow south of Taian. Railway not cut south of Yenchowfu but 4 bridges damaged. Wang Yao-wu⁹³ expects Commies attack Tsining, Yenchowfu and hopeful of month of fighting there which will carry into rainy season. Hopes rains will immobilize Commies for 6 weeks to 2 months. Estimate Tsinan secure through end June. Population orderly. Exodus not large scale.

All foreign missionaries are represented on committee established to arrange orderly evacuation mission and Cheeloo University personnel with effects and equipment. CAT⁹⁴ providing aircraft on charter to fly direct to various destinations. All but few have decided depart. Cheeloo undecided where relocate but Tsingtao favored, subject to explanation of Ambassador Stuart's preference for South China as against Tsingtao expressed to Lair.⁹⁵ Felt that language, cost, and living factors largely favor latter city. European Catholics at Tsining, Yenchowfu moving to Shanghai area where urged by radio May 31 to expedite departure.

Reference my despatch 51, May 27⁹⁶ Wang appeared view situation Shantung as hopeless and contrary to previous report not prepared yet take initiative beyond directives Nanking or discard personal loyalty to Generalissimo. Plan raise 5 new regiments which actually authorized. Previous report of intended 15 divisions or regiments in-

⁹² Robert C. Strong, Consul at Tsingtao.

⁹³ Governor of Shantung and senior military leader in Shantung.

⁹⁴ Civil Air Transport.

⁹⁵ H. P. Lair, associate president of Cheloo University, Tsinan.

⁹⁶ Not printed.

correct. Deal with Marshal Yen ⁹⁷ not assured though liaison officers exchanged. Yen desires supply hides and iron against grain. Wang hopeful obtaining military supplies from Yen.

Wang bitter against Nanking which he claims preferred lose Shantung to permitting him build strength. Likely that he must have been given thorough verbal lashing in Nanking which left him with little spirit or will to carry on his double duty. Still talks of resigning both positions. Declared he did not ask for full military authority over Shantung for fear of being thought too ambitious and claims impossible obtain formal cooperation other Pacific[ation] area commanders in pooling efforts against Commies. He asserted preoccupation of Generalissimo and other officials with National Assembly elections caused delay in despatch of reinforcements to enable him to relieve Weihsien. This argument believed not entirely defensive.

Present atmosphere of tired hopelessness which pervades Tsinan renders retention that region against serious Commie attack almost out of question. Likely that only immediate basic change in Central Govt policy in Shantung or certainty of provision of direct regional aid to Wang by US Govt in near future can prevent loss of whole province this year except Tsingtao and possibly Chefoo. In this connection we seriously question Wang's capacity employ modern weapons with modern strategy and tactics needed to defeat Commies. He appears still tied to outmoded static defense of walled cities, restricted mobility, and dispersion of forces in garrison duties. Provision of military aid plus relatively small sums money at regular intervals might provide sufficient stimulus for Wang. We feel that this course of action should be constantly under review in view of fact Wang now cut off from Nanking aid except by air. Alternative is aid to 11th Pacific[ation] Area (Tsingtao) Commander on basis assurance he undertake regain control Shantung Peninsula from Weihsien eastward. This area readily defensible and economically self-sustaining. Present Commander, Ting Chieh-pan, understood slated governor Kansu (Kiangsu?) Province near future being replaced at Tsingtao by General Liu En-chi, understood Shantung man now Manchuria. Liu's military capacity unknown here. Would appreciate any information available Embassy.⁹⁸ Central Govt apparently has no intention attempting retrieve Shantung. Relatively few first-line Commie troops now in Peninsula. A major diversionary move from Tsingtao might serve ease pressure further west and south.

⁹⁷ Yen Hsi-shan, Governor of Shansi and Taiyuan Pacification Commander.

⁹⁸ The Ambassador in China indicated in his telegram No. 88, June 10, 3 p. m., to the Consul General at Tsingtao that "Liu, commander Seventy First Army was one of best military men in Manchurian campaign". Tsingtao Files, Lot F 94, 800)

Prominent Tsinan Chinese consider new Cabinet no change for better and inclusion Ho Ying-chin ⁹⁹ indicates even more conservative trend.

Sent Embassy as 180, repeated Dept as 99.

TURNER

893.00/6-548 : Telegram

The Consul at Shanghai (Pilcher) to the Secretary of State

SHANGHAI, June 5, 1948—7 p. m.

[Received June 5—8:24 a. m.]

1266. ReConGen's 1017, June 5, repeated to Department 1265.¹ Anti-American parade failed materialize this afternoon, due forceful action of police and garrison authorities and also to fact student agitators have been obviously unable to gather student support in sufficient strength to push demonstration through. Between 500 and 1000 Chiaotung students who were to have led off demonstration are confined to campus behind locked gates with police and garrison personnel in considerable force surrounding area.

Group of several hundred middle school students have formed on Bund and are carrying on mild demonstration. Police have hemmed them in and are restricting their movements.

ConGen, US Navy and military installations and certain American business houses have been provided with sizable armed Chinese military guards since mid-morning. Woosung-Shanghai garrison commander General Hsuan issued statement during morning that garrison determined prevent demonstration and to put an end student agitation "once and for all".

Explosion of chemical shop two blocks from Bund causing large fire in afternoon gave rise to rumors of political connection.

Sent Nanking 1018, repeated Department 1266.

PILCHER

893.00/6-548 : Telegram

The Consul at Tientsin (Hinke) to the Secretary of State

TIENTSIN, June 5, 1948.

[Received June 5—8:56 a. m.]

156. Peiyang University students engaged in 3-day strike against US support to Japan as result petition signed by majority student body.

⁹⁹ As Chinese Minister of National Defense.

¹ Not printed.

Sent Nanking as 306, repeated Department as 156, Shanghai as 262 and Peiping.

HINKE

893.00/6-748 : Telegram

The Consul at Shanghai (Pilcher) to the Secretary of State

SHANGHAI, June 7, 1948—6 a. m.

[Received 7:21 a. m.]

1278. Vicious nationwide anti-American campaign attacking US policy in Japan, which was initiated in radical student centers some weeks ago, has gained in momentum during past 2 weeks. Movement is doubtless Communist inspired but is reportedly receiving Governmental factional support. Chinese press appears to be almost unanimously pushing movement in which certain prominent persons in business, industrial and educational circles have also joined. There is unquestionably a large body of Chinese public opinion being purposely misinformed on our Japanese program.

Consul General considers it of utmost importance to have factual material for use in refuting propaganda and urgently requests that it receive information on specific charges made in statement which was summarized in reference telegram.² As you will appreciate, if Consul General is to make best use of material for purpose mentioned, it is essential that it be received within next few days.

Sent Tokyo 70, repeated Nanking 1027.

PILCHER

893.00/6-848 : Telegram

The Consul at Shanghai (Pilcher) to the Secretary of State

SHANGHAI, June 8, 1948—7 a. m.

[Received June 8—3:24 p. m.]

1286. Re Consulate General's 1018, June 5, repeated Department 1266. Situation appears to have returned to normal although there are reports that "rescue committees" being formed in certain schools to obtain release of number of students arrested during Saturday's demonstration on Bund. Minister Education Chu Chia-hua arrived Shanghai on 6th to confer with authorities on student problem.

²Telegram No. 1273, June 7, from the Consul at Shanghai summarized "main points contained in statement signed recently by 288 local industrial, commercial and educational leaders in protest to U. S. Japan Aid program" (800 Japan, Lot F 79). A statement by the Acting U. S. Political Adviser for Japan (Sebald) "a specific rebuttal of the 'protest' referred to in Shanghai's reference telegram" (No. 1273) was transmitted to the Department in his despatch No. 358, June 15 (800 Japan, Lot F 79).

Mayor insisting Chiaotung University president furnish replies to seven questions aimed at discovering identity of students at Shanghai University responsible for current trouble. Disciplinary action will be based on information revealed in answers. Mayor quoted saying at press conference on 5th that "solution of problems should be easy in foreign country where court of enquiry would be held, forcing ringleaders to answer questions. If they refuse to answer, they would be charged with contempt; and if they give incorrect answers, they would be charged with perjury." Mayor also stated student agitators not against American aid to Japan but really against American aid to China.

Garrison Commander General Hsuan Tieh-wu reported to have said at conference he expected more trouble as influence of student agitators had grown considerably in various educational institutions.

Sent Nanking 1033, repeated Department 1286.

PILCHER

893.00/6-948 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, June 9, 1948.

[Received June 9—1:21 p. m.]

237. There is at present time in progress in Peiping a demonstration of approximately 400 students from the 5 principal Peiping universities and police guards have been stationed at the entrance of the ex-Legation quarter and of this Consulate General. Slogans issued in connection this demonstration and stamped with seal of Peiping University Students Self Govt Society are in original English as follows:

- “1. We object to US rebuilding up the Japanese imperialism.
2. We object to US sheltering and conniving at Japanese war criminals.
3. We object to US reinforcement of the three biggest naval bases of Japan.
4. We object to US reestablishment of Japanese air bases.
5. We object to US breaking the Potsdam declaration.³
6. We object to US rebuilding Japanese military industry.
7. We protest against Ambassador Leighton Stuart's statement threatening the people of China.
8. We object to the US policy toward Japan which is at the expense of China.
9. We object to US intriguing with the Japs to persecute overseas Koreans in Japan.

³ For text of proclamation on terms of Japanese surrender as issued on July 26, 1945, by President Truman, President Chiang Kai-shek, and British Prime Minister Clement R. Attlee, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1474.

10. We protest against our Govt's persecution of patriotic students.
12. Stop exporting iron ore, cotton, salt, sugar and other raw materials to Japan.
13. Execute Okamura Neiji ⁴ and Horiuchi Hoshishiro.
14. Prevent a second 'Marco Polo bridge incident'.⁵
15. We demand the occupation of Japan by the Big Four.
16. Peace conference about Japan be summoned at once.
17. Down with the Japanese imperialism.
18. The people of China and America stand up together to protest against US rebuilding up Japanese imperialism.
19. Patriotic Chinese stand up to protest against the revival of Japanese Fascism.
20. Patriotic Chinese stand up to overcome our national crisis.
21. Long live the independent Chinese republic".

Slogan No. 11, blocked out in copy of leaflet in possession this office, was originally as follows: "we object to the import tax on foreign merchandise, protect our national industry and commerce". Parade is so far orderly.

Repeated Nanking 385, Shanghai 237, Tientsin.

CLUBB

711.61/G-948: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 9, 1948—3 p. m.

[Received June 9—2:35 p. m.]

1043. The new Soviet Ambassador Roschin paid his introductory call on me June 4. He opened the conversation with the question what could be done to improve conditions between our two countries and spoke of the hopes of Russia arising from Smith-Molotov letters⁶ and the desire of all people for peace. I assured him that my country and the American people also want peace and fear the outbreak of another war. I added that they are harassed by fears and suspicions of Soviet aggression and that something should be done to dispel them. When he agreed, I went on to say that more concretely it was the question of one world or two, or more accurately of two great nations each respecting the other's right to maintain its own form of government and ideology without interference while avoiding aggressive designs against smaller countries which would disturb confidence. He agreed and asked what could be done. I sug-

⁴ General Okamura commanded Japanese forces in China during the war.

⁵ This incident on July 7, 1937, precipitated hostilities between Japan and China.

⁶ For documentation on the conversations between Ambassador Walter Bedell Smith and Foreign Minister Vyacheslav Mikhailovich Molotov in Moscow on May 4 and 9, see vol. iv, "Union of Soviet Socialist Republics" (collection 1). See also Department of State *Bulletin*, May 23, 1948, pp. 679-683.

gested that his Government might care to instruct its Ambassador in Washington ⁷ to approach the Department of State on the matter or, having lived in China so long, it occurred to me that some neutral country might be willing to serve as middlemen in this wise Chinese method for reaching a solution. I said that in any case I was certain my Government would welcome any such proposal which it was convinced was not being made for propaganda purposes. I added that I saw no reason, as I had said to his predecessor, why our two countries could not be as friendly as I hoped he and I would be.

Roschin then asked my impressions of the China situation to which I replied quite frankly, describing what everyone knows to be true. He asked if I thought the Generalissimo was aware of the real military conditions, to which I replied that he knew the facts but probably not the implications. Roschin volunteered the comment that the Generalissimo's field officers were perhaps misleading him as to the realities behind the geographical facts.

Sent Department 1043, Department pass Moscow 38.

STUART

893.00/6-948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 9, 1948—4 p. m.

[Received June 9—1:54 p. m.]

1044. In June 5 conference at Embassy, Badger ⁸ discussed his views on present military situation in China and expressed conviction that Communist occupation Manchuria and North China would increase strategic advantage of Soviet Union in Far East to point where American interests would be threatened and to point where, in event war between Soviet Union and United States, eastern defenses of Soviet would be impregnable. He also stated his belief that Government armies now lack capability of preventing Communist occupation Manchuria and North China, mainly because of lack of efficient planning and effective leadership, and that provision of high level American planning staff would turn tide in favor of Nationalists. He concluded by saying that he feels it incumbent on him, by virtue of his assignment as ComNavWesPac, to report this situation to the Joint Chiefs and to recommend that an American planning staff be assigned to the Chinese Government to participate direction of the Nationalist military operations against the Communists.

⁷ Alexander S. Panyushkin.

⁸ Vice Adm. Oscar C. Badger, Commander of the U. S. Naval Forces in the Western Pacific (ComNavWesPac).

On June 8 Barr⁹ received telegram from Wedemeyer¹⁰ requesting AAG comments on military, political and economic situation and recommendations on American participation in Nationalist military effort on planning level. We believe Barr will recommend assignment American staff for operational planning and formation field teams to check on implementation of plans and gather information for planning purposes. Wedemeyer requested comments "to prepare briefing for Secretary of Army¹¹ who is appearing before Senate committee".

From the above we conclude Joint Chiefs becoming concerned over deterioration Government military position in north and prospect that Communists will soon occupy North China and Manchuria. We gather that recommendations of Barr and Badger are likely to be sympathetically received by Joint Chiefs, who are aware of military significance of North China in American strategic requirements, and equally aware of fact that military shortcomings of Government are mainly along lines of failure of Nanking Supreme Staff to conceive and implement adequate plans. We are aware of implications of action suggested by Badger and Barr and agree with them that such action is necessary if deterioration situation in China is to be stopped and tide turned in our favor. Onus of establishing "field teams" suggested by Barr might be lessened by use of strategically located assistant military attachés for that purpose.

STUART

893.00B/6-948

The Ambassador in China (Stuart) to the Secretary of State

No. 267

NANKING, June 9, 1948.

[Received June 22.]

SIR: I have the honor to enclose for the information of the Department the texts, as broadcast during late April and early May 1948 by the North Shensi Radio, of three speeches¹² by prominent Chinese Communist leaders which indicate important, if transitional, changes in Chinese Communist tactics. These speeches are: (1) comments on questions arising during the agrarian reform which were made by Jen Pi-shih, a member of the Chinese Communist Party's Central Executive Committee to an enlarged session of the Northwest Liberated Army's Front Committee on January 12; (2) an article entitled "A

⁹ Maj. Gen. David G. Barr, Chief of Army Advisory Group, China.

¹⁰ Lt. Gen. Albert C. Wedemeyer, Director of Plans and Operations, General Staff, U. S. Army.

¹¹ Kenneth C. Royall.

¹² None printed.

Labor Policy and Tax Policy for Developing Industry", by Chen Po-ta, a member of the Central Committee of the Chinese Communist Party, and; (3) an address by Mao Tze-tung, Chairman of the Central Committee of the Chinese Communist Party, delivered to a meeting of the Shansi Suiyuan Liberated Area's cadres on April 1.

For convenience there follows a brief summary of the three rather verbose pronouncements:

(Begin Summary of Articles)

1. *Jen Pi-shih.* During the past year or two, too many individuals during the agrarian reform have been purged and too many have been incorrectly classified. Some of the mistakes have been the result of grudges. In the future care must be taken to avoid making enemies unnecessarily. A good criterion is the relationship of exploiter to the exploited. Hence the 1933 guide, "How to Analyze Classes" has been reissued. Jen then outlines in some detail the five classes of society.

The elimination of the feudal classes is a ruthless struggle. The backbone of the Communist movement is the poor peasants and the farm laborers. It is, however, necessary to unite with the middle peasants lest the poor be isolated and the revolution fail. The middle peasant has much to offer to the poor in terms of experience and practice. There has been an increasing Leftist tendency to encroach on the interests of the middle peasants by improperly classifying them and by not wanting them to participate in community life. The differences which do exist between the poor and middle peasants can be resolved, since the middle peasants are also subject to exploitation by landlords.

It is necessary to eliminate rich peasants and landlords and to confiscate their surplus. It is also necessary to confiscate all property belonging to the landlords. But even landlords vary. Those landlords who voluntarily give up their property should not be subject to the judgment of mass meetings and should be given enough to maintain peasant status. Those who do not give up their property voluntarily should be ruthlessly destroyed.

Commerce and industry should be protected. Commerce and industry of bureaucratic capitalist and despotic counter-revolutionary elements should be confiscated but should continue to operate. Industrial capitalism must exist for some time due to the backwardness of Chinese economy. Commerce in itself produces nothing of value, but it must be used for the benefit of the people rather than for the purposes of the distributor.

The majority of intellectuals come from the upper classes. Theirs is mental labor and they should be protected. Most of them are against Chiang Kai-shek and the United States and can be won over to the revolutionary movement. Even more so is this true of students.

Indiscriminate violence and killing must be stopped. Capital punishment should be applied only as punishment for the gravest of crimes, and then in courts of law. The righteous and justified indignation of the masses, however, must not be stopped, or they will be alienated.

2. *Chen Po-ta.* There has been a great voluntary step-up in Communist production—much to the amazement of the *bourgeoisie*. Cer-

tain changes, however, must be made. (1) Wages are becoming so high that products are not marketable and too great a subsidy is necessary. This is a false protection of the workers' rights. "Equal compensation" is equally bad. Special compensations and money rewards for meritorious production are needed. The workers themselves should be consulted on what are proper rewards and punishments. (2) Industry produces more than commerce and should, therefore, be given greater favors, such as lighter taxes. Luxury items should be more heavily taxed than essentials. Multilateral taxes should be replaced by a single tax.

3. *Mao Tze-tung*. In the Shansi Suiyuan Liberated Area the agrarian and Party purification as well as the reorganization during the past year have been successful. Rightist tendencies have been exposed and corrected. The Party has also corrected the following Leftist deviations: (1) The improper delineation of classes and the exclusion of too many individuals. (2) Encroaching too much on commerce and industry. (3) Too much violence. These mistakes have been corrected by proper reference to local conditions. Correction is best obtained through representative councils of the people.

Another mistake has been the failure to recognize that differences exist between various liberated areas and yielding too much to the wishes of the masses who must be taught to think correctly.

Party work during the anti-Japanese war was basically correct, but its mistakes must now be corrected. The main objective now must be to increase production by renewed agrarian reform and purification of the Party. In this work the only leaders must be the proletariat and the Chinese Communist Party. The enemies to be overthrown are imperialism, feudalism, and bureaucratic capitalism. All three can be summed up in Chiang Kai-shek's Kuomintang. The demands of the masses must be satisfied. The theory of destroying industry and commerce and of the equality of compensation is reactionary. The only target is the destruction of the feudal system of exploitation. Therefore, not more than eight per cent of the population must be destroyed. This must be done gradually, depending on the development of the particular area. (*End Summary of Articles*).

Although these three articles deal with three different topics, it is apparent from a careful reading of them that all three were prompted by the same basic change in tactics and strategy. This is not to say, however, that there has been any change in the basic policy and ultimate objective, namely, the communization of all China. What these pronouncements seem to indicate is that the Chinese Communists, probably for good and sufficient reasons, have found it desirable and probably even necessary to enter a period of retrenchment and consolidation induced in all likelihood by a realization that certain phases of the Communist program have been proceeding too rapidly for the overall good of the movement. Sitting as we do on the Nationalist side of the Chinese civil war where we come in daily and painful contact with the frustrations and imperfections of the Nationalist war effort, and being able to observe the steady and often-times un-

necessary deterioration in the Nationalist war position, while at the same time we view from afar what appears to be at times an uninterrupted succession of Communist victories, it is altogether too easy to fall into the pattern of thinking that the Nationalist Government has the monopoly on problems in China and the Communists are blessed by an absence of them. In such a contest we too often forget that the Communists in areas that they control, must face much the same problems which confront Nanking, and which arise from the uncompleted Chinese social revolution. These three pronouncements would most assuredly seem to indicate that the Communists too realize that they have problems and must do something about them.

During last fall and winter the Embassy received numerous reports which suggested that the Communists in North China and Shantung had entered a period of ruthless repression and unbridled violence against all elements who, by any stretch of the imagination, might be considered as opposition or potentially so. It would now seem that the policy boomeranged on the Communists to a disconcerting degree and that they have now, therefore, found it desirable to loosen their restrictions and to attempt conciliation of a broader mass of people. The Communists are, after all, a long, long way from having achieved the final victory in China and that victory could be made infinitely more difficult if they had to cope with disaffection in the ranks and at the rear. There is no evidence available to the Embassy to indicate whether a similar process has taken place in Manchuria. It seems not unlikely that the course of events there has been somewhat different since hostilities and the upheaval resulting therefrom have been confined to a relatively small corridor leading from Changchun down through Mukden and Chinchow to the Great Wall. In Manchuria it may have been possible to proceed with communization more rapidly and at the same time seal it off more effectively from the outside world.

The second point which stands out in these three pronouncements is the present necessity for widespread land reform, without which no political movement in China can hope to command mass support. The politics of the rice bowl are just as demanding on the Communists as they are on the Nationalist Government. It is difficult to estimate whether the Communists really believe that a more or less equal distribution of land will provide a lasting solution for the land problem of China. In no area has it been possible for them to give the individual farmer a sufficiently large portion of land to ensure much more than a bare subsistence livelihood. Land distribution system schemes have plagued the world for untold generations and so far there is no recorded instance where a mere redistribution has provided more than a temporary relief which has always been followed in time by a gravitation of land again into the hands of the few more

resourceful or unscrupulous members of society. During recent years studies of the land problem in China have invariably put the emphasis on distribution, on increased production, and on various techniques to be used. This reduces the problem to essentially a technical and scientific level. Granted that these aspects are fundamental to the problem, we would suggest the possibility that the primary consideration should be political rather than technical in the sense that the greatest urgency is to ensure that the peasant receives a larger proportion of his gross income, rather than merely increasing his production. Elimination of the large landowners and reform of nefarious system of collecting not only exorbitant taxes but also taxes sometimes decades in advance, is a step in the right direction. Whether the Communists are merely eliminating one exploiter and substituting themselves in his place is another question. The elimination of the present exploiter is calculated to secure allegiance on a temporary basis. Reassuring the intensely individualistic Chinese peasant that what is his will remain his is also calculated to achieve the same result. It seems hardly likely, however, that the Chinese Communist will be content with this indefinitely or that they will not proceed with the collectivization of land when they feel that conditions will permit it.

Another point which attracts attention is the lure thrown out to commercial and industrial groups. Chinese Communist experience to date has been almost exclusively in agrarian problems with the exception of Manchuria where the results of their urban experiences are largely unknown. Sooner or later there must come a day when the Communists, if they are to achieve final victory, must take over the urban and industrial centers of China and they must run them with a certain minimum of success. To do this they will desperately need the skill and experience of those who are presently running such enterprises until they have time themselves to accumulate experience and have developed trained personnel of their own. This they can hardly expect to do unless they have at least the passive acceptance of their rule. It is not inconceivable that Chinese Communist planning foresees the necessity of taking urban centers in the relatively near future and that they are now preparing for that eventuality, or that it may already have embarked on it during the last two months.

The above suggests that there may be certain parallels between the situation in China today and that obtaining in the Soviet Union during the latter stages of the civil war and the NEP period ¹³ when the

¹³ The New Economic Policy (NEP) was introduced by Vladimir Ilyich Lenin during 1921 as a strategic retreat following failure of the economic policies of "war" (or militant) communism. Certain concessions were granted to economic principles theoretically condemned by leaders of the Bolshevik Revolution. This period lasted until 1928, when the first Five-Year Plan was adopted.

Soviet Government, for reasons of survival, felt compelled to make very considerable tactical concessions in order to consolidate its position firmly before proceeding with its eventual plans. It will be recalled that during that period much opinion believed the Soviets had realized the folly of their ways and through the bitterness of experience had become tempered and more moderate in their objectives. The falsity of these suppositions should be a warning for China. This warning should be all the more important for China which in its present distraught, impoverished and ruined condition is all the more susceptible to any kind of offering which might seem to promise peace and relief from an intolerable economic situation.

From the standpoint of the United States, the most important conclusion to be drawn from these three pronouncements is their timing. It seems hardly possible that it should be only a coincidence that the announcements of a softening of policy should come precisely at a time when the Soviet drive throughout the world is suffering serious defeats and when there is evidence that Soviet propaganda is being modified to appeal to non-Communist middle and left-wing groups. The groups which the Chinese Communists are trying to conciliate in China are precisely those whom the Soviets have tried to seduce throughout the world with the principal objective of throwing the United States off balance and luring it into a false sense of security. Prominent Communist leaders in Hongkong recently told one well-known and usually reliable American newspaper man that the Chinese Communists were finding it necessary to proceed more slowly and that their timetable of military operations would take longer than had previously been planned. A revision of this timetable would have the double advantage of enabling the Communists to effect a necessary consolidation of what they already hold and at the same time provide a plausible appeal to disaffected elements throughout the country. The risk involved is, of course, that in this longer period of grace the Nationalist Government will find within itself new strength and that American assistance will help to make that strength effective.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor

893.00/6-1048: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 10, 1948—5 p. m.

[Received June 10—11:08 a. m.]

1056. Given the consternation with which the Chinese Govt received information of our intention to warn Americans in China of deteri-

orating military situation and our resulting belief that those who were not prepared to remain under Communist controls could consider evacuation while normal communication facilities exist,¹⁴ it occurred to us that we might use this situation to prod Chinese Govt into taking measures necessary to improve military situation in North China. We feel that our responsibility to the US as a whole to support National Govt outweighed our responsibility to warn individual Americans where we felt our warning, in any case, was unlikely to be heeded.

Accordingly on June 5 I called on Generalissimo and told him of our concern over deteriorating military situation in North China and of our determination to advise our nationals to withdraw from that area. Knowing, however, that Chinese Govt was opposed to such a move on our part as gravely detrimental to national morale, I said I hesitated to take that step without first consulting with him. If he could convince me that he was prepared to take the measures which my military advisors had informed me were necessary and possible to stabilize the military situation in the north, then I was prepared, I said, to defer issuing the warning. Chiang immediately expressed his complete willingness to accept our military advice to the fullest extent, saying that he would give complete authority to American planning and supervision and would authorize planner to assign personnel where necessary to see that their directives were carried out. He inquired what I would recommend. I reminded him of restrictions in AAG directives and our reluctance to assume responsibilities not properly ours. He indicated awareness of this problem and asked whether our policy in this respect might not be reconsidered. I replied that it seemed axiomatic that whatever the chances of reconsideration might be, they would be increased if there were more evidence that advice now being given was being acted on.

He then asked for concrete suggestions in military sphere. I said that as president he should delegate routine direction of military operations to Minister of National Defense in close association with General Barr and that they should report to him on all major issues. I also suggested that autonomous and independent commands should be established for various theaters of operations, in order to rationalize and regularize command channels and organization, these commands to be directed and controlled by supreme headquarters. Chiang concurred with both suggestions and agreed to consider naming supreme commander having full authority over North China and Manchuria.

On June 6 Philip Fugh¹⁵ called on Chiang, who reiterated his

¹⁴ See vol. VIII, "Evacuation of Americans from China".

¹⁵ Secretary of the Ambassador in China.

desire to have American advice, particularly on military matters. He stated his awareness that present situation of his Govt is very serious; that he was still trying to do his best for the country, but feels himself to be aging, without old nerve and fears he is accomplishing little. He expressed his desire to work closely with America, and, without saying directly, implied that such policy was opposed by influential elements within the Govt. He concluded interview by stating that he had his own reasons for having American relations kept as direct and confidential as possible.

From the above, and other interviews with Chiang which we have reported, the principal facts that emerge are Chiang's unalterable determination to maintain firm stand against Communism, his recognition of his inability to do so without our assistance and his willingness to accept not only our aid, but our advice and direction as well. It is our belief that he is wholly sincere in these attitudes and that he is experiencing great difficulties from groups within the Govt which advocate an end to the civil war at any cost, and so oppose continued cooperation with the US. We have reported the extent of this sentiment and the fact of its existence in influential quarters. While occasioned to some extent by war weariness, it is undoubtedly true that this sentiment stems mainly from the belief that the Govt's cause is a lost cause, and that we lack either the intention of [*or*] the capability to provide the Govt with the quantity and quality of aid necessary for its survival.

Although we have no detailed knowledge on this subject, there are many indications that those advocating peace, and coalition with the Communists, have well developed plans for the removal of the Generalissimo and the end of the civil war by negotiation. While we are not saying that this threat is imminent, we are convinced of its existence. Should such an attempt be made and be successful, it would almost certainly result in return to regional autonomy at the expense of the stability of the present Govt, and would likely hasten the completion of Communist control over the entire country. In this situation, we are convinced that unless we are prepared to accept considerable expansion of Communist influence in China in near future with prospect of entire country eventually under Communist control, we must provide Chiang with character of support which he, by his own admission, requires. We are fully aware that the resources of the US are limited and that we have commitments elsewhere, and we are aware of the dangers of such action, yet we feel that we would be derelict in our duty if we did not point out the alternatives.

See also our 1044, June 9.

STUART

893.00/6-1048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 10, 1948—6 p. m.

[Received June 11—1:48 a. m.]

1059. General Ho, Minister National Defense, called on me June 7. I told him that with his assumption new post he must inevitably bear some responsibility for deteriorating military situation. I then informed him of my June 5 interview with Chiang, in which he agreed in principle to leaving routine details of military operations to Minister National Defense and General Barr, who would refer to Chiang only major policy issues.

He then discussed General Ku Chu-tung¹⁶ and prospect getting more competent Chief of Staff. General Ho stated that General Pai Chung-hsi¹⁷ has definitely and finally declined to serve as anti-bandit suppression commander for central China. We decided to await Chiang's reaction to this before discussing new Chief of Staff with him.

I then summarized the opinion of my military advisors on some of actions needed in present situation: (1) an overall strategic plan to be followed consistently; (2) change to strategy of attacking instead of passive defense, (3) emphasis on replacement training centers to fit troops for combat under better trained officers. General Ho took careful notes on these points and agreed to confer again soon.

In course of conversation General Ho referred to his difficulties in his dealings with Chiang.

STUART

893.00/6-1148 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, June 11, 1948.

[Received June 11—9:33 a. m.]

241. ReContel 237, June 9, student demonstrations. According to Peiping *Chronicle* this date, university students of 12 universities and colleges of Peiping and Tientsin yesterday began 2-day strike as protest against American support to Japan. Situation Peiping today, yesterday quiet with no demonstrations in evidence. It is understood Peiping students claim 5,000 participated in demonstrations of 9th. This figure is supported by report obtained from official source indicating that the students were unable to combine in one large group as result of police preventive action but that total

¹⁶ Chief of Chinese General Staff.¹⁷ Former Minister of National Defense.

of students concerned was considerable. Same newspaper reports that 3 students and 2 police officers were injured in the course of a scuffle but all reports agreeing that no serious clash occurred.

CLUBB

893.001 Chiang Kai-shek/6-1148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 11, 1948—7 p. m.

[Received June 11—9:43 a. m.]

1071. Philip Fugh, Ambassador's personal secretary, tells us that he has observed Generalissimo closely during past 2 years, and that recently he has noticed decided approach to senility. Even though Generalissimo continues to take notes of important points, he says he no longer makes quick firm decisions he formerly made; he fails increasingly to see that his instructions are obeyed and increasingly he forgets things. We gathered from Fugh that in his opinion Generalissimo has become a tired old man incapable of meeting effectively responsibilities he has assumed, that he is daily losing in prestige; and that inevitably sooner or later he will be removed from authority.

In spite of this picture of Generalissimo, Fugh agrees that without Generalissimo at head of state, country might relapse into regionalism and has suggested possibility that some way might be found to persuade Generalissimo to renounce emergency powers granted by National Assembly and seek strong Prime Minister to provide requisite leadership. Difficulty is that Generalissimo so dominated scene in China for so long no other person of caliber to assume leadership has appeared.

STUART

893.00/6-1148

The Consul General at Peiping (Clubb) to the Secretary of State

No. 101

PEIPING, June 11, 1948.

[Received June 23.]

SIR: I have the honor to refer to this Consulate General's telegram No. 237 of June 10 [9], 1948 in regard to anti-American student demonstrations in Peiping, and to enclose¹⁸ as showing the character of the anti-America propaganda enunciated by those students copies (in English translation) of leaflets distributed at the time of their demonstration.

It is to be noted that these leaflets are distributed variously to the

¹⁸ Enclosures not printed.

"Federation of North China Students Opposing American Support of Japan and Saving the National Crisis", and the Students Self-governing Society of the Peking University. It will be observed that the first leaflet entitled "Protest against Active American Support to Japan's Recovery" is very particular in its charges that the United States is restoring the military strength of Japan. This leaflet carries the names of a large number of signatories: this office has not thought it worthwhile to identify the various signatories. Another item of interest forwarded with the enclosures is the leaflet of songs to be sung by the demonstrating students. Those songs definitely "follow the line" indicated in the prose leaflets.

There is enclosed also for ready reference a copy of the aforementioned Federation's statement of June 6, 1948 making a reply to Ambassador Stuart's statement of June 4.¹⁹ This leaflet is signed by the Siat'an Branch of the Students Self-government of the Peking National University.

With reference particularly to the hypothesis that the present student demonstrations arise solely out of Communist machinations, it is to be noted that the propaganda voiced by the students in their present demonstrations is after all in general line with editorials which have been appearing recently in the columns of the various official press. As examples (and not exceptional ones) of these editorials the Department's attention is invited to the following items of English translations in various Chinese Press Reviews:

"America Still Wants to Support Japan" (*Hsin Min Pao*, May 22), No. 619.

"The Principles Laid Down in the Cairo and Potsdam Declarations²⁰ for the Disposition of Japan should not be Changed" (*Shih Chieh Jih Pao*, May 25), No. 621.

"We Protest against American Support of Japan" (*Hsin Sheng Pao*, May 26), No. 622.

In an editorial entitled "Taber Is A Great Fool" (*Peiping Jih Pao*, June 5) summary No. 630, the editorial writer stated that the action of the House of Representatives Appropriation Committee in cutting off US\$63,000,000 from the China aid bill "provided a powerful argument in favor of the anti-American support-of-Japan movement" and that Chairman Taber "should be held entirely responsible for this development".

¹⁹ Text transmitted to the Department in the Ambassador's telegram of June 5, *United States Relations With China*, p. 869.

²⁰ For text of Cairo statement by President Roosevelt, Generalissimo Chiang Kai-shek, and British Prime Minister Winston S. Churchill, issued December 1, 1943, see *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 448, or Department of State *Bulletin*, December 4, 1943, p. 393. For the Potsdam proclamation of July 26, 1945, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1474, or Department of State *Bulletin*, July 29, 1945, p. 137.

The indications are, in short, that if the Chinese student movement in its present form is reflecting Communist machinations, that Communist influence has at an even earlier date been manifested also in the editorial rooms of the Chinese Nationalist press. It is nevertheless quite possible that, assuming the propaganda theme was Nationalist in its original inspiration, Communist elements have seized the opportunity to bend the "anti-American movement" to their own ends. If this be true, the Chinese academic world has shown itself malleable to the influence.

Respectfully yours,

O. EDMUND CLUBB

893.00/6-1248

The Minister-Counselor of Embassy in China (Clark) to the Director of the Office of Far Eastern Affairs (Butterworth)

NANKING, June 12, 1948.

DEAR WALT: Although the military situation has been deteriorating at an alarming rate during the past month, the attention of Government leaders has been directed almost entirely to political maneuvering and the election of a new Government.

With the selection of the Premier ²¹ and the Cabinet, Government under the New Constitution has finally come into being. The personnel of the new Government is largely recruited from the old, and the new elements present are so dominated by the groups which held power before that no far-reaching changes in policy are likely.

In general, the reaction of the country to the new Government is most unfavorable. We have heard few expressions of faith that it is competent to improve the situation, and there is much talk that it will soon be replaced. When the National Assembly met, it was hoped by many that somehow, through its deliberations, a political renaissance would be effected, which would culminate in the creation of a strong Government capable of halting the spread of Communism. The Gimo was given extraordinary powers to achieve this end, and his critics offered their advice and their services to assist him. What was wanted of the Gimo was dynamic, effective leadership. The Gimo, however, has failed to respond to this demand. While he has retained his almost unlimited authority, he has come forward with no new program. His rejection of the services of Li Tsung-jen as an advisor, and his continued reliance on incompetent men to head the new Ministries combine to convince most people that his leadership will continue to be uninspired and essentially disruptive. Since it

²¹ Wong Wen-hao; for list of new Cabinet members, see telegram No. 992, June 2, from the Ambassador in China, p. 269.

has become apparent that he intends to continue his personal rule, and has no intention of responding to the popular demand for change, widespread dissatisfaction develops, and the Gimo has become more unpopular than at any time in his career.

In view of this increasing dissatisfaction with the Gimo and his Government, it is surprising that there is no apparent popular demand for his removal from office. The opposition elements within the Government talk mainly in terms of supplanting the C. C. Clique and of offering the Gimo better and more disinterested advice. If there were open agitation for the Gimo's removal, rather than covert dissatisfaction with his rule, Li Tsung-jen and certain groups in the Government would probably respond to it. But there is no popular, open movement in this direction, although the Gimo loses in prestige each day he fails to provide that leadership necessary to rally the people in defense against Communism. The prevailing mood is one of despair and resignation to what is regarded as the inevitable victory of Communism. Furthermore, there is a growing belief that Communism would be a not unattractive alternative to the present ineffective regime, particularly since such a change would bring with it an end to civil war.

As an accommodation with the Communists might be expected to include the removal from the scene of the Gimo with whom the Communists may be expected to refuse to deal, the question of his successor immediately arises and there is no obvious person available. The Gimo has dominated the scene for so long, no one stands out as capable of replacing him. Li Chi-shen of the Kuomintang Revolutionary Committee is, of course, "available" yet we have no way of gauging the strength of his support. It might easily be some one within the Kmt itself. Nevertheless, we find it difficult to believe that the Gimo can be removed from the scene except at the expense of national unity. It was demonstrated most clearly in the Presidential election that it is the Gimo that holds this vast country together and that without him it would likely fall apart. Should he leave the scene and should regionalism result, the Communist task would be made much more easy.

In the military field, it is obvious that the Communists continue to gain and the Government appears incapable of saving that part of China not yet in Communist hands. The military position of the Government is deteriorating rapidly and has become critical in several areas. The Government armies in Manchuria are virtually isolated, must inevitably be contained in their present positions by siege and cannot influence the military decision in China proper, even though their capitulation should be long postponed. The Communist offensive in Jehol is succeeding in reducing the local Nationalist garrisons, and Fu Tso-yi finds himself under heavy attack along the Jehol border.

While General Fu should be able to stop the initial assault against his northern defenses, the fact that he has large Communist armies on his flanks and his rear makes his situation dangerous. It is probable that, as the campaign progresses, the Manchurian Communists will be able to secure a foothold on the North China Plain.

Except for a minor Nationalist victory in Northern Kiangsu, there have been no Nationalist successes through the past month. A large Communist concentration has crossed the Yellow River without opposition northwest of the junction of the Lunghai and Tsinpu railroads. The Tsinpu has been cut near Taian, isolating Tsinan. Linyi, the last Government garrison in Southern Shantung, is now under attack, and is not expected to offer prolonged resistance. The Communists are in sufficient force just north of the Lunghai to besiege Hsuehou, or to by-pass that point and drive toward the north bank of the Yangtze, near Nanking. While their intentions are not yet clear, the latter move remains a strong possibility.

Observers report no improvement in the morale of the Nationalist forces, now at a dangerously low ebb. Field Commanders and troops are unwilling to fight, except as a last resort, and large-scale defection of combat elements confronted with battle can be expected to continue. While the Government's military situation has probably not yet become critical in the sense that a general military collapse is imminent, only inspired and dynamic military leadership can long postpone, let alone avert, that eventuality, and there are no officers having such qualities in positions of authority.

The general public is well aware of the continuing deterioration in the political, military and economic spheres and is disillusioned and despairing of improvement. In this situation, the notion that stability can come only through the cessation of the civil war has become an *idée fixe*, the currency of which spreads rapidly. Thus, the people of Nationalist China become less and less inclined actively to resist Communism. In this state of mind, our China Aid Program is condemned, even by its direct beneficiaries, as a factor prolonging the civil war. Since the Government prohibits anti-civil war propaganda, this condemnation of our aid is sublimated and transferred into an attack on our policies in Japan by student groups and other elements of the population. This nascent anti-American feeling is, of course, exploited and fanned by Communist propaganda organs, and is further fostered by some elements of the Government-controlled press, which uses this means to distract attention from the Government's own shortcomings. There is inherent in this situation a very grave danger to the American position in China. We still have in this country a large backlog of good-will, particularly among the educated classes. However, in their present suffering the people

of China do not discriminate between friend and enemy. Nor do they clearly perceive where their interests lie. In the eyes of many Chinese, we bear the onus for supporting and keeping in power an unpopular regime which does not have the interests of the country at heart. We are blamed for preventing its replacement by a government which promises, as they see it, to be an improvement. And we are further condemned because the regime we support patently fails to meet the minimum requirements that any people asks of those who rule it. This state of mind, we believe, is playing no small part in the present student anti-American campaign.

On the other hand, recent reports from Communist territory indicate that the Communists have difficulties of their own. The principal of these is a shortage of qualified administrative personnel for political posts, and a lack of personnel with the more advanced economic skills. Their revolutionary program and propaganda are now designed to secure the support of potential administrators, but the violence and brutality which has characterized their political activity continue to alienate many. However, in appealing to administrators and to persons possessing knowledge of advanced agricultural, industrial and commercial techniques, the Communist leaders have had to jettison their practice of economic egalitarianism. This costs them at least some of the support of the agrarian and industrial proletariat which forms the mass basis for their revolution. Although the Communists have been spectacularly successful in the military sphere, their victories have been over a most incompetent opponent. Should the efficiency of the Government armies be restored, even to its war-time level, the Communists could no longer hope for cheap victories. Indeed, as the military situation now stands, the Communists may be forced to undertake campaigns involving formal, positional warfare. The Communists have yet to win a battle under such conditions, and should the Government armies dictate the conditions of battle, as they are capable of doing, some large Communist defeats can be anticipated.

It is a black picture, yet in the final analysis, we incline to the belief that the situation of the Government, critical though it is, is not entirely beyond repair. The adoption of only a few positive policies would improve its position immensely. What the Government now suffers from as much as anything is that its own personnel and its own supporters have no confidence in it. To cite a single instance, General Kuo,²² commanding the Combined Service Forces, has told one of the staff officers of AAG²³ that the Executive Yuan

²² Lt. Gen. Kuo Tsan.

²³ Army Advisory Group.

is refusing to provide funds for certain military expenditures on grounds that the civil war is already lost.

We are doing what we can to bolster morale in Government circles and we are leaving no stones unturned in our efforts to assure that advantage will be taken of the respite afforded by the Aid to China Program to institute the reforms and find the leadership necessary to rally the people and encourage them to resist Communist expansion. If those vast numbers who do not want to be Communists can be given even one ray of hope it may yet be possible to turn the tide though time is rapidly running out.

Yours very sincerely,

LEWIS CLARK

893.00/6-1448

The Ambassador in China (Stuart) to the Secretary of State

No. 273

NANKING, June 14, 1948.

[Received June 21.]

SIR: I have the honor to report on the most recent political trends in this country. These continue to be so indeterminate that I tend to postpone such comments, knowing also of the messages that are being constantly sent from here by radio.

The crucial problem is still the personality of President Chiang. He is fully cognizant of the current deterioration. He listens patiently to warnings as to the inevitability of disaster unless new policies are adopted and to suggestions regarding these. He seems sincerely determined to act in accordance with the theory of his new office and under constitutional procedure. But there is actually very little change in his methods.

I had been hoping that with the appointment of General Ho Ying-ch'in as Minister of National Defense the military operations would be delegated to him with real authority and that General Barr could work closely with him. I had urged this course upon the President and had received his assurance of agreement provided only he were kept constantly informed. I had also discussed the matter more than once with General Ho who heartily concurred in the advisability of this plan and promised that he would do his best. Yet the President has just issued an order that all operations are to be carried out under instructions from him through the Chief-of-Staff—the incompetent Ku Chu-t'ung!

General Pai Ch'ung-hsi had been relieved of his post as Minister of National Defense, presumably for helping in the election of Li Tsung-jen. He was then offered the important task of commanding the troops in the five provinces between the Yellow and Yangtse Rivers and after long hesitation accepted, only to learn that he would

not be allowed to organize local militia in this area—a feature which he has always strongly advocated—and that certain regions, such as that surrounding the Wu-Han cities, would be out of his jurisdiction. He thereupon withdrew his acceptance and left in disgust for Shanghai. The President showed no regret and remarked that this was of no importance. He seems suspicious that the Kwangsi Clique have designs against him and is thus alienating, or at least losing the effective cooperation of, men who by every test have been loyal both to him and to the national cause.

A few days ago I received by safe hand a letter from Marshal Li Chi-shen in Hong Kong expressing the desire to get in touch with me and intimating that the Communist issue was not impossible of solution. After some hesitation I showed the letter to the President who queried as he read it how much influence Marshal Li really had with the Communists. I replied that I was not so much concerned with the Communists as with the importance of all non-Communists getting together in the face of a common danger, sinking their personal animosities or political disagreements and putting the country above all else. I added that he should take the lead in this effort. He assented as usual and authorized me to use my discretion in following up the opening Marshal Li had given but to avoid sending him a letter signed by myself.

These instances of recent happenings will seem grimly familiar to you. I have more than ever a sense of frustration in endeavoring to influence the President's thinking. I have an easy access to him and am invited to say anything to him without reserve. No Chinese dares to say to him what many even among his closer associates are now thinking and they are looking to me with a pathetic expectancy. And yet I feel impotent to accomplish anything that helps to reverse the downward trend. I sometimes wonder how much of his obduracy is due to temperament or habit and how much to suspicion or fear, especially of Russian and Chinese Communism. Of one thing we can be certain. If we could assure him that we would stand by him against his enemies and detractors, while insisting point by point that he observe his promises, we could get him to agree to almost anything. But of course this is out of the question. Meanwhile we are attempting the fine art of advising or urging without getting as deeply involved as he would gladly permit. General Barr has worked out quite a detailed memorandum which is now being confidentially translated and will be given to him in a day or two.

In this matter of giving advice we have, however, an internal problem among ourselves which is becoming more pressing. Admiral Badger is a capable and energetic officer who is fully aware of the present dangers and is anxious to help in the effort to improve things.

The President and other Chinese have been quick to sense this and are most attentive to the Admiral who responds cordially. But this is proving quite embarrassing to General Barr and can easily encourage the Chinese to pit our Army and Navy against each other in their bid for assistance. Perhaps the basic anomaly is that the Admiral thinks primarily in terms of preparations for a possible war with Russia and outranks General Barr, while the latter is working under a restricted directive dealing only with a civil conflict in China. . . . Admiral Badger is due here tomorrow and I shall insist that I accompany him this time in any calls he makes upon the President. This is a temporary expedient which will indicate that Barr is the only American free to give over-all military advice in his own right and should protect against the expression of conflicting opinions among ourselves. I shall also try with Mr. Clark's help to strengthen friendly personal relations between two men whose combined judgment ought to be very beneficial to the Chinese.

The Chinese appointed to deal with the American aid seem to be well chosen. The Premier, the Minister of Finance and the Governor of the Bank of China are all *ex officio*, but Wang Yun-wu and O. K. Yui were appointed respectively to these two positions at least partially with this in view. The other member of the Commission who alone will give full time is Dr. C. K. Yen, a man of exceptional ability and character. I have been urging alike with the Chinese and the Americans that they function as nearly as possible as a single team thus reaching composite conclusions, and that they put the emphasis upon getting results rather than being too much concerned with procedure. Even matters of honesty and efficiency will be taken care of if the objectives are kept steadily in mind and fortunately these are recognized by both groups to be identical.

Rural reconstruction, which has been my own "pet" interest, has its peculiar problems. The first of these is Dr. Yen²⁴ himself. He is the ideal promoter, but is not so good as an administrator. He antagonizes Chinese colleagues by his manner and attitude. Entirely apart from any defects of his own he suffers from the jealousy of another's success which is one of the most unlovely and characteristic Chinese traits. More specifically various Government agencies have shown themselves extremely anxious to get complete or partial control of this fund for their own needs, and the Party leaders will undoubtedly try to exploit it for political purposes. There is trouble already in trying to select the Chinese and American members of the Commission, and in finding a phraseology as to the relation of the Commission to the Administrator which does not infringe on Chinese

²⁴ James Y. C. Yen, General Director, National Association of Mass Education Movement.

sovereignty. But if it can be wisely organized it has immense possibilities for reforming the Kuomintang policies in the most crucial and most vulnerable feature of local administration.

There is very wide-spread anti-American sentiment crystallizing in protests against our efforts to strengthen Japan. This is being revealed by the vehement attacks upon my message to the students. It is rather puzzling to account for this phenomenon. To explain it as due entirely to Communist or Soviet instigation is an over-simplification. This has of course helped to create it by skilful propaganda and to organize it by agents planted both among faculties and students. But there must be a receptive need to have produced so general a response and among so many who are normally pro-American. This is perhaps caused in large part by a fear of Japan which began in the closing years of the last century and has become instinctive as well as deeper than we can readily imagine. It is aggravated by distorted reports of our activities in Japan, including those from Chinese official sources, by misconceptions and false inferences, by the publication of the Draper and similar reports, by the cynical assumption that we would not hesitate to sacrifice China in preparing for our private war with Russia, and of course by deliberate, unremitting and malicious propaganda. Another very real factor is the all but universal dissatisfaction with the present Government and the irrational but easily understandable association of America with its existence or its failings. The students, more highly sensitized than other elements of the population, are utterly dispirited and with no proper outlet for their patriotic urgings. An agitation against America for restoring their old enemy to a position of becoming again a potential menace has a curious appeal under these depressing circumstances. Apart entirely from these forebodings and their utilization by Communist and other anti-Government factions are the selfish and short-sighted commercial or industrial groups which seek to avoid Japanese competition. The extremely profitable and perhaps none too efficient Shanghai textile industry, for instance, wishes to maintain for itself the Chinese and Southeastern Asia markets. Thus strangely enough the extreme left and crassly capitalistic interests unite in disapproving our intentions in Japan. We cannot be too careful in carrying out those intentions to give no slightest cause for reasonable misapprehension.

Respectfully yours,

J. LEIGHTON STUART

893.00/6-1448

The Consul General at Peiping (Clubb) to the Secretary of State

No. 115

PEIPING, June 14, 1948.

[Received July 5.]

SIR: I have the honor to refer to this Consulate General's despatch No. 105 of June 14 [15], 1948²⁵ reporting on the appearance in Peiping of a "third party" group reputedly desirous of bringing about peace in China, and to enclose as of possible pertinency in this general connection a copy of a memorandum of conversation of June 9, 1948 between myself and General Hsu Ch'eng-chia²⁶ in regard to the Chinese political situation.

It will be observed that the conversation centered around the present position of General Li Chi-shen, who has set himself up as opposition leader in Hong Kong. The essence of the matter is that, reputedly under General Li's direction, there has been put afoot a movement envisaging the establishment of semi-autonomous governments in five areas in China—Manchuria, North China, Southwest China, Southeast China, and Central China. Taiwan was to have been included. General Hsu spoke in very general terms, but he did indicate that the development had reached an advanced stage. In a further conversation with him yesterday, he made the matter more explicit still by setting forth in greater detail the connections of the concerned persons. He indicated that the autonomous government proposed for Manchuria, where the movement was by schedule to have begun, would have been called the Northeast People's Autonomous Government, and that the persons connected with this were General Li's representative, Chou Ch'ing-wen, and a large number of others, including particularly Lo Pin-ch'i, Kao Ch'ung-min, and Yen Pao-hang. Chou is reputedly presently in Harbin. On the Communist side, according to this information, there is included as reputed leader of the "reform group" of the Chinese Communist Party the well-known pro-Russian Communist leader Li Li-san. In Northwest China the leadership was under Tu Pin-ch'eng (executed about three months ago), in the southwest under Lung Yun (former Chairman of Yunnan Province) who, according to General Hsu, is currently under surveillance in Nanking (although General Lung is still unaware of this fact). The main supporters of the southwest group are Generals Liu Wen-hui and Teng Hsi-hou, respectively leaders of Sikang and Szechuan Provinces. In the southeast the name of the

²⁵ Not printed.

²⁶ Not printed; the Consul General indicated that he had known General Hsu in Mukden as an officer connected with Generalissimo Chiang Kai-shek's Northeast Headquarters.

chief leader is given as Wang K'un-lun, with of course General Li Chi-shen being the outstanding political figure for the whole of the Kwangsi-Kwangtung area. In the Central China area the leader is Liu Ch'eng-chi.

The overall leadership for this organization is supposed to be the Chinese People's Autonomous Committee under the leadership of Li Chi-shen himself. Under the committee in question, there are four main groups, as follows: (1) San Min Chn I Joint Comrades Society led by Sung Ch'iu-ling; (2) the Kwangsi group led by Li Chi-shen; (3) the Democratic League led by Chang Lan; and (4) Chinese Communist Party "reform group" under the leadership of Li Li-san. General Hsu said that there was, moreover, American support with the leader, still unidentified, known as Ho Erh.

It was not entirely clear, despite the implication of General Hsu's remarks that he was on the side of the National Government, to which side in fact he belongs. The indications are that he has close connections with Shansi Province and North China Generals who are at the present time known to be endeavoring to find means of "landing on their feet" in the event of something in the nature of a collapse at Nanking. From what is known of the present tendencies, it may be said that, despite the circumstance that the National Government may be aware of certain definite political trends, it nevertheless seems in a poor position, where it is fighting for its life against the Chinese Communists, to take effective measures to suppress the growing dissension in the peripheral areas of its own camp.

According to General Hsu, General Li Chi-shen is now able to command the loyalty of 200,000 troops in Kwangtung and Kwangsi Provinces.

Respectfully yours,

O. EDMUND CLUBB

893.00/6-1548 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, June 15, 1948—10 a. m.

[Received June 16—7:11 a. m.]

258. Intense siege conditions reported presently prevailing Changchun. Communists attacking with 3 columns and 10 independent divisions reported to have penetrated outer defense lines in southwest suburb city where street fighting taking place. Artillery fire raised in intensity from about 100 rounds per day beginning June to 800 rounds per day until about 2 days ago, presently reduced to about 500 rounds per day. Main Communist forces to south and west of city attacking in small groups by day and larger groups by night. North

Field, airstrip within city suitable for L-5 planes, and other strip within city suitable for limited transport operations unusable due artillery danger. Current Nationalist air dropping of supplies must be covered by fighter escort due to danger from AA ²⁷ fire. Rice and kaoliang prices soaring to about 5000 percent of prices Changchun 3 weeks ago and about 50% above prevalent high Mukden prices same commodities. Even tea [*tree*] leaves reputed commanding low price.

According ESD,²⁸ NEBSH's ²⁹ military confident ability hold city unless strong Communist columns between Mukden and Changchun thrown into battle. This NEBSH deems improbable due danger to Communist rear and main bases such as Liaoyuan if protective columns move north to Changchun. This would open way for Nationalist attacks Ssuning-Liaoyuan area to Mukden area.

On basis defense layout Changchun, present Communist breakthrough southwest suburb does not appear major threat yet. Communist appear searching for soft spot in defence for major breakthrough, in meantime attempting soften city by artillery fire. Lack major targets Changchun makes artillery campaign difficult though possibly of great psychological value and undoubtedly destructive of housing. Withdrawal of Nationalists to south impossible in view complete Communist blockade that route. Defending forces Changchun estimated total 40,000. [Backbone] this force is 38th Division New First Army. Other elements include 60th (Yunnanese) Army from Kirin, ex-Kirin local defense force and two divisions Changchun local troops. Defense from Mukden air support of unascertainable efficiency.

Attacking force estimated at 70,000. Believe city's chances withstanding attack reasonably good if troop morale maintained. As in Changteh area, Communist supply problem will become more acute as attack continues.

Defending Generals Chen Tung-kuo and Li Hung considered very able. Nationalist supplies reported adequate for immediate future.

Sent Nanking 333, repeated Department 258.

WARD

²⁷ Antiaircraft.

²⁸ External Survey Detachment.

²⁹ Northeast Bandit Suppression Headquarters.

893.00B/6-1548

The Consul General at Hong Kong (McKenna) to the Ambassador in China (Stuart) ³⁰

No. 13

HONG KONG, June 15, 1948.

SIR: I have the honor to submit a preliminary report of some aspects of the relations of the Chinese Communist Party with Marshal Li Chi-shen and his Kuomintang Revolutionary Committee. This report is a summary of information and impressions obtained by this office to date; it is anticipated that more comprehensive information will be obtained in the future, and will be made the subject of a supplementary report.

As reported previously by this office, the KmtRC ³¹ claims that Marshal Li in 1946 arrived at an understanding with Chou En-lai.³² The terms of this agreement between the Marshal and Chou included approval by the Communists of the future establishment by the Marshal of an organization which would aim at reform of the Kuomintang. This organization, established by Marshal Li on January 1, 1948, is the Kuomintang Revolutionary Committee. The other terms of the agreement which are known to this office are as follows: first, a coalition Government will be established after the collapse of the National Government headed by the Generalissimo and the CC Clique; second, the Communists approve and will support Marshal Li for the position of head of the coalition Government; third, the coalition Government will declare illegal the present constitution and the organs which have been established under that document; fourth, a truce will be declared immediately after the collapse of the existing Government, hostilities will cease and military forces will be frozen in their positions pending decisions by the new Government as to the disposition of forces; fifth, a non-partisan National Army will be established and the great majority of the forces under arms will be demobilized; sixth, there will be complete political freedom for all political parties and groups; and seventh, the reform leadership of the Kmt will be responsible for decisions as to which members of the party will be purged.

It must be stressed that at no time have the above-listed points been set forth together, as details of the alleged agreement between Li Chi-shen and Chou En-lai; they have emerged gradually in the course of conversations of Vice Consul Service ³³ with Marshal Li, General

³⁰ Copy transmitted to the Department by the Consul General without covering despatch; received June 24.

³¹ Kuomintang (Nationalist Party) Revolutionary Committee.

³² Member of the Central Committee and Politburo of the Chinese Communist Party and head of the Communist delegation in the 1946 negotiations.

³³ Richard M. Service.

Ts'ai T'ing-k'ai, Chou Ching-wen and C. Y. Li. Most of these points have been confirmed in separate conversations with two or more of these individuals. However, it may be assumed that there were other terms in this agreement which have not been disclosed, and which may not be revealed until and if the KmtRC's dream is realized.

If it is reasonable to accept the existence of a basic agreement between Marshal Li and the Communist leadership, and to include the above-listed points as known elements of the agreement, it is possible to study the Marshal's relations with the Communists with a greater degree of understanding. In view of the present strength of the Communist Party, the increasing disorganization within the Kmt, and the absence of a powerful, well-knit third political element on the national scene, it may be assumed that a coalition Government may only be headed by a leader who is acceptable to the Communists. It is the consensus of leading dissidents in Hong Kong that the Communists will consider it politically inexpedient to place a Communist at the head of a coalition Government, and there are obvious reasons why the Communists would prefer to saddle a non-Communist with this responsibility. Marshal Li recognizes his chance at the post as an opportunity to bring peace to his country, to introduce essential reforms through rapid implementation of the theories of Dr. Sun Yat-sen, and to cleanse and re-vitalize the Kuomintang Party. While he anticipates strong Communist pressure to render the coalition Government a puppet organ of the Communists, he relies heavily on the strength of a reformed Kmt to support him, and he relies particularly on the nature of the Chinese people. He maintains with strong conviction that the Chinese by nature will rally to a democratic cause in opposition to communism, as the latter system cannot afford to give the people the freedom which Chinese individualism demands. He ascribes the phenomenal success of the Communists during the past two and a half years to the failure of the Kuomintang to introduce effectively promised reforms for which the people have been waiting since 1911. Given a non-Communist reform movement, the people will accord it overwhelming support, says the Marshal.

But Marshal Li believes that the most effective method through which he can reform the Kmt is to accept the position of head of the coalition Government. To continue to qualify for that post, which has been promised to him by the Communists, he must permit nothing to compromise his standing with the CP. He submits, therefore, to considerable and constant pressure exerted by the local Communists. He signs declarations and letters prepared by Communist fellow-travelers who are members of the Revolutionary Committee, and who scurry back and forth between his home and the Communist leaders with drafts which include only declarations which have the approval

of the Communists. He attends a luncheon meeting every Sunday at which most of the significant Communist leaders are present, and he listens courteously to their opinions. He resolutely refuses to yield to the pressure of non-Communists in his following (Chou Ching-wen, for example), who attempt to dissuade him from issuing public statements which identify him closely with the Communist line. His strategy is based on his analysis of the relative significance of certain courses of action; he can accomplish most if he is head of the coalition Government, even if this requires of him a too-cooperative and outwardly puppet attitude during this preliminary period. He reasons that this strategy is superior to an independent stand which might win him substantial support within the Kmt prior to the fall of the Government, but which might jeopardize his selection as head of the coalition Government, or which might cause the Communists to abandon as too dangerous their plans for the establishment of such a Government.

In the foregoing discussion of his submission to local Communist pressure, it must not be assumed that the Marshal does not approve of everything which is placed over his signature by the Communists. For instance, he strongly opposes American policy in China, which he considers responsible for delay in the collapse of the present Nanking regime. He opposes the present constitution, and favors a constitution based on the PCC resolutions.³⁴ In certain other respects his views coincide with those of the Communists (and, it may be added, with those of many non-Communists), but his non-Communist associates insist that the Marshal fundamentally is opposed to Communism and to the communization of China. Marshal Li has himself pointed to his record of Communist-suppression in Kwangtung more than a decade ago as evidence of his opposition to that system. As to the possibility that the Marshal will accept a high position to become a Communist puppet, his followers argue that he could have accepted high posts as a puppet of the Generalissimo if he was inclined to compromise with his principles, or he could join the Communist Party if he wished to be assured of power. His sympathizers point to his long record as a Kuomintang liberal, the instances of his open opposition to the Generalissimo at the cost of personal position and the many occasions when he privately and publicly has advised Chiang to liberalize his policies. Although opinions vary as to the Marshal's capacity for strong leadership of a modern state, or his ability to cope with as highly organized a party as the Communists, even those who ridicule the potential significance of the KmtRC do

³⁴ For Resolutions of the Political Consultative Conference, January 1946, see *United States Relations With China*, pp. 610-621.

not fail to credit the Marshal with singular righteousness and strength of character.

Study of the present status of the KmtRC must include some anticipation of possible changes which might occur during the present fluid state of affairs in China. Factors which might affect the KmtRC program are numerous. Among the principal potential factors are the following: the death of Marshal Li; strenuous and effective reform of the Kmt before the collapse of the Government; and administration of the double-cross to the Marshal by the Communists before the fall of Chiang and the CC Clique.³⁵ In the first eventuality, probably Feng Yu-hsiang³⁶ would attempt to replace Marshal Li, and the KmtRC would lose in the exchange. As to the second eventuality, there is as yet little indication that a New Deal is possible under existing leadership in the capital.

What may be anticipated if the Communists denounce Marshal Li and his Revolutionary Committee? Although the Marshal is alleged to have complete confidence in fulfillment by the Communists of their agreement with him, there is some feeling among non-Communist associates of the Marshal (Chow Ching-wen, in particular) that the Communists are aware of Li Chi-shen's basic loyalty to the Kmt and his unwillingness to play the role of a puppet, and that the Communists may decide to revise their plans. Chow Ching-wen recently has reported two developments to which he attaches significance. The first, and more important, is the publication here in the *Hua Shang Pao* on May 25, 1948, of a long *Hsin Hua Sho* editorial entitled "An Old China is Dying; A New China is Marching Ahead".³⁷ In this editorial, a copy of which presumably was received by the Embassy's monitoring service, the official Communist news agency attacked the Generalissimo, the constitution, the National Assembly, and other aspects of the Government. It also excoriated Vice President Li Ts'ung-jen, denouncing him as a tool of the Americans, who seek to substitute for the Generalissimo a pseudo-liberal counter-revolutionary who would be expected to establish a so-called reform Government subservient to the aims of American imperialism. The statement in this editorial to which Chow attached greatest significance was the passage which declared that the Communists will not recognize or accept any changes in the Government which are carried out from within the Kuomintang. Chow stated that this passage caused a sensation among liberals in Hong Kong, many of whom believed that this was a direct attack levelled at Li Chi-shen; Chow

³⁵ Faction of the Kuomintang led by the brothers, Chen Li-fu and Chen Kuo-fu.

³⁶ Marshal Feng had been a member of the Chinese National Military Council and was abroad at this time.

³⁷ See *United States Relations With China*, pp. 859-862.

claimed that the Marshal was disturbed and angry when he read the editorial, and that the Marshal discussed the subject with him at their next private interview. On the other hand, C. Y. Li informed Mr. Service that the local Communists assured the Marshal that the editorial referred to Kmt members actively serving the National Government, and that the editorial in fact was evidence of the Communist determination to see the KmtRC assume leadership of the Kmt.

The second instance revealed by Chow Ching-wen was a remark contained in a recent speech given by Mao Tun, the leftist playwright, before a meeting of Wuhan University alumni. Chow asserted that Mao, so far as he is aware, on no previous occasion has presented a formal, prepared speech in the Colony. In this speech, Mao is alleged to have emphasized that no so-called liberal Kmt elements, *such as Feng Yu-hsiang*, would be permitted to participate in the new Government of China. Chow considers that Mao served as a mouthpiece of the Communists on this occasion, and that the selection of Feng Yu-hsiang as an example actually was a deliberate attack by the Communists on Li Chi-shen. Chow stated that Mao's reference to Feng had excited great interest among liberals here.

Chow's conclusion that the foregoing instances indicate at least the initial stages of a Communist attack on the Marshal must be treated with reserve. Chow is recognized as one of the leading anti-Communist liberals in Hong Kong, and he has informed Mr. Service in several recent interviews that he is determined to exert all of his influence with Marshal Li toward the adoption by the Marshal of a completely independent stand clearly and irrevocably divorced from the Communists. Chow is convinced that such a stand, representing accurately the Marshal's fundamental views, would win for the KmtRC overwhelming prestige and support throughout China, would assure him of leadership of a Kmt capable, with the re-acquired support of the people, of crushing the Communists, and would provide the United States with a Chinese Government worthy of friendship and support in the achievement of the fundamental aims of American policy in China.

It is doubtful whether Chow Ching-wen's rosy prediction of the effects of a break between the KmtRC and the Communists is as objective as it is optimistic. Is there evidence that Li Chi-shen would receive important recognition and acclaim if he broke with the Communists, or if they broke with him? Perhaps Marshal Li is shrewd when he chooses to take command of the Kmt with the blessing of the Communists.

Respectfully yours,

JAMES E. McKENNA

893.00/6-2148 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, June 21, 1948—11 a. m.

[Received June 22—3:09 a. m.]

262. Siege Changchun (reContel 333, June 15³⁸) relaxed in intensity but continued. According ESD, two Communist columns made feint withdrawal about 15th but later returned to area. This was possibly effort entice defending forces into vulnerable sortie. Artillery fire into city reported now only very light and sporadic. A Military Attaché reported that observation from rather high altitude during flight over city 17th revealed no signs of extensive destruction within city.

Press reports Communists have caused plowing under growing crops within 30-mile radius city. This, if correct, and other evidence suggests purpose present Communist siege Changchun is traditional one attrition rather than immediate all-out effort seize point.

Sent Nanking 340, repeated Department 262.

WARD

893.00/6-2148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 21, 1948.

[Received June 21—9:47 a. m.]

1104. Following is Kunming's telegram 60 dated June 18, 1948: "Yesterday between 10-15,000 university and middle school students paraded past Consulate in orderly manner in support other student groups in China against American aid to Japan. Following slogans shouted in unison in poor English and Chinese: Down With American Imperialism; Down With American Fascism; Get Out USA; Down With Japanese Fascism; Long Live Chinese; Long Live Chinese Students; Get Away Rascals. Numerous signs and posters displayed depicting sufferings Chinese during war years because of Japan. Three student representatives called on me as parade was passing and stated: 'We are not against American people. American people are our friends. We are only against American policy' and presented a communication addressed to President Truman which will be transmitted [to] Embassy.³⁹ Representatives were very polite and stated that they had seen me at Yunta in past and hoped I would visit them often.

³⁸ Same as telegram No. 258, p. 303.

³⁹ Not found in Department files.

"Since 1st April so-called professional agitators have been endeavoring work up supporting strikes in universities and middle schools but failed to rally sufficient numbers each time. Three-day strike was called for Saturday, Sunday, Monday, June 12 to 14 which did not materialize. However, after rallies held Monday, Tuesday and Wednesday nights strike actually called for one day only, Thursday. Student tribunal recently tried student in missionary middle school and expelled him for not being 'one of them'; school authorities did not sanction action of tribunal but unable support innocent student for fear promoting city-wide strike. Kunming basic English teachers, college students all dismissed recently by Principal Shui because of agitation. Shui attacked one agitator in open assembly to which 10 or 12 students rose to his support thereby revealing dissenting element in school. Shui stated so long as he in authority students must obey; that it might be necessary for him to resign but the students would go first and thereupon dismissed them all. Re-registration is to be held for those students who wish to continue their studies; undesirables will not be accepted."

STUART

761.93/6-2148: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 21, 1948—7 p. m.

[Received June 22—12:18 a. m.]

1108. On June 15 before Legislative Yuan, Premier Wong Wen-hao blamed strained Sino-Soviet relations on Russia's nonfulfillment obligations under treaty of amity:⁴⁰ (1) Complete withdrawal Soviet troops from Manchuria; (2) non-intervention in Sinkiang affairs; (3) real independence for outer Mongolia; (4) any assistance to China to be given Government only, not hostile forces. Treaty's original intent was to secure Soviet friendship, he said, for which it was a heavy price. Recent repeated Chinese protests have been ignored but Chinese Government will continue demands that treaty provisions be faithfully carried out.

On June 16, before Legislative Foreign Relations Committee secret meeting, Foreign Minister Wang Shih-chieh blamed Reds for anti-USA agitation, but said China would continue to seek improvement of relations with Russia. He said, "China has tried her utmost to better our relations but the other party is still not satisfied."

June 17 [at] second Legislative Yuan Foreign Relations Committee

⁴⁰ Treaty of friendship and alliance between the Republic of China and the U. S. S. R., signed at Moscow August 14, 1945, *United States Relations With China*, p. 585, or United Nations Treaty Series, vol. 10, p. 300.

meeting, Wang answered questions of members. Said China trying to bring Sino-Russian treaty into effect by diplomatic means. Also said everyone knows Russia aids Communist parties everywhere but that there must be a limit, short of actions that would bring on another world war. China demands reparations from Japan; the problem is now being carefully analyzed. Japan must not be allowed to grow powerful again. Her trade should be limited to exchange of commodities and business. At next UN session China will reconsider her attitude towards the veto.

Both Premier and Foreign Minister were subject to vigorous and sometimes unreasonable questioning by Yuan members who are evidently dissatisfied with present Cabinet and disposed to question all its policies on general principles. Latent xenophobia existing in other parties and revealed over question American policy in Japan has counterpart in Legislative Yuan which may at any time be expected to take violent stand on almost any foreign policy matter.

STUART

893.00/6-2148

The Ambassador in China (Stuart) to the Secretary of State

No. 281

NANKING, June 21, 1948.

[Received July 2.]

SIR: I have the honor to forward an English translation of the Chinese language statement ⁴¹ by Mr. C. Y. Li of the Kuomintang Revolutionary Committee in Hong Kong. Mr. Li, requesting that it be given secret treatment, gave this document to an officer of the Consulate General in Hong Kong, who forwarded it here for processing on April 10, 1948.

Mr. C. Y. Li's statement of his position, which is understood to be that of Marshal Li Chi-shen and the KmtRC generally, is distinctly disappointing. As the program of a purportedly liberal group which says it intends to try that most difficult of political feats, a coalition with the Communists, it does not inspire confidence. There is, indeed, little trace of a positive program here and still less of a quality of mind that could extemporize one. The attitude towards the Communists shows no adequate understanding of them at all; the references to recent history are seriously distorted, chiefly in implication and by wholesale omission of relevant facts; the polemics against the Gimo are merely frantic, heat without light; and the crying-up of Li, Feng, and Ts'ai never goes beyond just that into a statement of what positive course of action can be expected from them, barring a call for peace in the civil war and airy references to the San Min Chu I.

⁴¹ Not printed.

The failure to examine basic premises is doubly disquieting since Marxism obviously affects Mr. Li's thinking from two directions: his immediate CCP ⁴² contacts and the beclouded socialism of Dr. Sun Yat-sen. This consequent reduction of range in both perception and thinking is poor equipment for the task the KmtRC has set itself. At no time in this document does there appear any confirmation of what the KmtRC leaders have repeatedly told us: that they understand the Communists and the problems of working with them. The ancient argument that the CCP is not really Communist because Marxism cannot be applied to agrarian China is so naive, presented soberly today, as to be startling. If the KmtRC does not understand the change that has taken place in Marxism during the past half century (the growing influence of Blanquism—management of revolution by the hard disciplined core; creation of a totalitarian state machine capable of maintaining itself and of using the Marxian ideology to make it seem inevitable; and the actual pruning-away, in theoretical crisis after crisis, of many of Marx's own ideas), they are not going to last very long in any sort of coalition with the Reds. The fact that Mr. Li chants the party line so faithfully indicates how unequal the struggle would be, and how short.

In view of the above doubts, we are very much interested in finding out whether or not this statement actually represents the program of Marshal Li and his group. There is certainly a rough similarity, but we would like to have specific points questioned to find whether it is really a point-for-point résumé of what he thinks. Both Marshal Li and Mr. C. Y. Li have emphasized that, once we could see the KmtRC's actual program, we would be impressed and in favor of it. The enclosed statement is consequently all the more disappointing. There is, however, the possibility that the KmtRC leaders are better practical revolutionary politicians than they are theorists. Another conceivable reason both for the vagueness and for some of the sentiments expressed in Mr. Li's statement is that it may be intended to please, or at least not alienate, the Communists now swarming in Hong Kong. The program here presented ought to have the effect of making the Reds underestimate the KmtRC's game, they should have been forethoughtful enough to explain the strategy to us when the statement changed hands.

The most impressively realistic point made by Marshal Li in his talks with officers of the Embassy and the Consulate General in Hong Kong was that the Chinese Communists are to all intents and purposes Russian Communists, and that a coalition with them would be strictly upon a basis of expediency, rather than one of fundamental

⁴² Chinese Communist Party.

agreement. Since these sentiments do not appear in Mr. Li's statement, we are most interested in clarifying the KmtRC attitude in this particular.

Respectfully yours,

For the Ambassador:
LEWIS CLARK

893.01/6-2248: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 22, 1948—4 p. m.
[Received June 22—8:26 a. m.]

1115. Local vernacular press June 22 reports that at Executive Yuan meeting June 21, 1948, following major appointments made and formalized by Presidential proclamation on June 22: Cheng Chien as governor of Hunan, replacing Wang Tung-yuan; Chen Yi as governor of Chekiang, replacing Shen Hung-lieh; General Sun Tu as governor of Jehol, replacing Fan Han-chieh; Liu Yao-chiang, former chairman Hopeh Political Council, as mayor of Peiping, replacing Ho Sze-yuan. Wang and Ho are going to other jobs. Shen resigned, Fan retains only his military command.⁴³

Presidential order of June 22 also accepted resignation of Ku Meng-yu as vice president of Executive Yuan, appointing instead Chang Li-sheng who was relieved as Minister of Interior. Peng Chao-hsien given latter post.

We are unaware of the motivation behind these changes. While the appointment of Cheng Chien should insure a good administration for Hunan, we cannot see a happy future for Chekiang, certainly one of the Government's key provinces, under the notorious Chen Yi. It would appear that the Gimo's predisposition to appoint his old and personally trusted comrades, regardless of their proven corruption or lack of ability, to posts of responsibility still out-weighs his desire for good government. Chen is so thoroughly and universally disliked throughout the country that his new assignment will probably destroy what little credit the Government still has in Chekiang.

Sent Department as 1115; pouched all consulates, China.

STUART

⁴³ Vice-Commander, Northeast Bandit Suppression Headquarters.

893.00/6-2248: Airgram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, June 22, 1948.

[Received July 1—8: 19 a. m.]

A-604. Reference Peiping's despatch no. 24 of February 19, 1948⁴⁴ on Chinese political situation, with particular reference to statement in second paragraph, page 3 to effect that confidential discussion of China situation with Soviet authorities might be profitable in eliciting information with regard to current Soviet attitudes, Embassy desires venture the opinion that such discussion would be unlikely either to elicit valuable information or substantially to further U. S. policy. In addition to fact that "confidential" talks with Soviet Government are not possible in sense they are with other countries, Soviet line on China may be deduced to some extent from Communist literature and recent actions. Soviets would obviously prefer "coalition government" in which Chinese Communists had clear opportunity dominate; otherwise they will work for progressive deterioration Kmt Government and progressive strengthening Chinese Communist authority. Point at which Chinese Communist "government" will be established will depend on Chinese and world conditions.

Believed here that U. S. policy toward China should be based on general thesis that "compromise" or "coalition" with Communists is a dangerous step toward Communist domination and that the goal in China should be revolutionary political and economic reforms and a government with enough strength, integrity and efficiency to appeal to all desirable non-Communist Chinese elements.

SMITH

893.00/6-2348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 23, 1948—10 a. m.

[Received June 23—8: 08 a. m.]

1124. Initial reception of Prime Minister Wong Wen-hao and his Cabinet by Legislative Yuan and press is highly critical. Wong's administrative report to Legislative Yuan on June 12⁴⁵ was vague and full of generalities, as were reports of his Ministerial colleagues. No new policies nor specific panaceas for improvement were offered. Comments of legislators on Yuan floor were violently critical and

⁴⁴ *Ante*, p. 100.⁴⁵ For summary of report, see despatch No. 286, June 25, from the Ambassador in China, p. 318.

caustic. Though ministers were not personally attacked and though legislators put forward no specific program of own, their lack of confidence in Cabinet was apparent. Vernacular press controlled by CC clique also censorious, and almost no papers offer Cabinet any support. This position is faithful reflection of general public sentiment of disgust with a government which does not govern.

Premier and Cabinet are generally regarded as personal retainers of Generalissimo and attacks on them are viewed as attacks on President himself. Up to present Generalissimo has failed to defend Cabinet and apparently is willing to let them receive blame for continuing deterioration Government position. Government's inability control food prices, which has lead to rice riots in Chungking, Ningpo and Yangtze delta towns, is greatly increasing popular discontent and provides critics with additional ammunition which they use unsparingly.

Present Cabinet was deliberate creation of Generalissimo who wanted compliant group through which he could continue to exercise his personal authority over all aspects of Government. Under these conditions we do not expect Cabinet to come forth with any concrete and specific program of its own, nor do we expect Premier to provide any dynamic or constructive leadership.

Since the Gimo refuses to delegate authority, since he still fails to exercise in any positive or constructive way the authority he has concentrated in his own hands and since the Cabinet is so completely subservient to him, we see few, if any, reasons to believe that more efficient and effective government can be anticipated in the near future. And since the Cabinet is so generally regarded as the Generalissimo's personal machine, criticism of its inevitable shortcomings will be visited equally on the Generalissimo, to the further detriment of his personal prestige.

Sent Dept 1124, pouched all Consulates China.

STUART

893.001/6-2348 : Telegram

The Consul at Shanghai (Pilcher) to the Secretary of State

SHANGHAI, June 23, 1948—6 p. m.
[Received June 23—5:46 a. m.]

1412. Appointment of Chen Yi as Governor of Chekiang on June 21 can hardly be expected to elicit any wide acclaim in view of his record as Governor of Taiwan from which post he was removed over year ago following riots and subsequent bloody purge of Taiwanese. Most quarters hold that Chen Yi has been thoroughly discredited as an administrator. Although appointment reported in press to be in

line with policy to give governorship of provinces to native sons, Consul General believes it serves demonstrate once again major consideration of Generalissimo political appointments is matter of personal loyalty. Chen is reported to have been in semi-retirement since leaving Taiwan and not to have held any recent position.

Repeated Nanking 1155.

PILCHER

893.00/6-2548: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 25, 1948—noon.

[Received June 25—3:56 a. m.]

1146. Following receipt of personal letter from Generalissimo, General Pai Chung-hsi this week agreed to assume command Central China Bandit Suppression Headquarters with authority direct military operations between Yellow River and Yangtze on north and south and Anhui provincial border and line running north and south through Tungkuan at Yellow River bend on east and west. Given Pai's competence, if allowed free hand, and if he receives no interference from Generalissimo, he should be able stabilize military situation in area where he holds command responsibility and insure safety Hankow area and river communications west of Hankow.

Military situation north China appears considerably improved as result last week's fighting between Kupeikou and outer defenses Tangshan. While General Fu Tso-yi failed destroy main CCP force in that area, he inflicted heavy losses and succeeded in defending all important garrisoned points. Fu showed determination in defense and in pursuit attackers uncommon with Nationalist field commanders. Also reports indicate Fu has succeeded improving security his line communications to Chahar and Suiyuan and control Kupeikou.

In Manchuria reported assault Changchun appears diminishing with Nationalist garrison holding all inner defenses. Aerial flight over city by Military Attaché failed to reveal signs of combat on scale reported by press and Chinese military. Mukden and Chinchow areas remain quiet with local Nationalist commanders unwilling venture from prepared positions to open communications. Bulk Communist Manchurian forces now appear to be either between Mukden and Changchun or west Chinchow and Nationalists have capability open rail-line either Mukden-Chinchow or Mukden-Yingkow. However, commanders seem unwilling commit forces to battle probably on basis reluctance deplete manpower and material which Government likely unwilling or unable to replace.

No major changes reported on southern Shantung front in past 2 weeks. While Chinese military reported heavy fighting north Hsueh-chow, near Yenchowfu, Military Attaché's aerial reconnaissance again failed reveal signs combat.

On Lunghai front Nanking Supreme Headquarters admits loss Kaifeng on June 22 following heavy Communist assault which left city in flames. Aerial flight over city on following day revealed no damage on reported scale. Loss Kaifeng has more political than military significance since Communists have been able bypass city at will in movements in vicinity. Govt has repeatedly asserted city impregnable and its fall comes as considerable shock.⁴⁶ Legislative Yuan question Minister National Defense and Chief of State [*Staff*] on June 24 and violent criticism of Govt conduct military operations central China is anticipated.

In general, with exception of North China, deterioration of Govt's military position continues. Field commanders are reporting all contacts with enemy as major battles, and are withdrawing to fortified positions or surrendering in avoidance of combat. Nanking supreme headquarters is probably not fully nor correctly informed of operational details by field commanders, and indications are that their orders to field receive only that degree of compliance which field commanders desire to give. While no general Nationalist military collapse appears imminent, there are no factors now apparent operating to prevent further deterioration. Communist armies while experiencing many difficulties mainly along line of lack of material and food shortages maintain their ascendancy and must continue to do so until Nationalists develop offensive spirit and improve efficiency their command structure.

Pouched Shanghai, Peiping, Mukden, Tsingtao, Hong Kong, Canton.

STUART

893.032/6-2548

The Ambassador in China (Stuart) to the Secretary of State

No. 286

NANKING, June 25, 1948.

[Received July 13.]

SIR: I have the honor to submit the enclosed full translation of Premier Wong Wen-hao's administrative report to the Legislative Yuan, delivered on June 12, 1948.⁴⁷

The Premier gives first place and first importance to the task of

⁴⁶ Government troops captured Kaifeng on June 25.

⁴⁷ Not printed.

“rebellion suppression”. He would improve morale by better subsistence and firmer discipline among regular troops; and by treating new conscripts and their families fairly, he hopes to improve recruiting. Local and provincial levies are to be better paid, armed, and trained. The command and planning must be integrated in itself and coordinated with political and economic measures. The military budget is to be divided into ordinary and extraordinary expenditures, with the cost of bandit suppression falling under the latter. The government promises to furnish necessary supplies of clothing and food, though the difficulties of supplying military rations when food is scarce are recognized. In order to handle this fairly and efficiently, local administrations must be strengthened at every level, by careful selection of personnel and higher pay; and the whole problem of local autonomy, how to secure it, and how to control it, should be studied by the government.

Finance is another key problem. Budgets are in preparation for the next six months. But the key effort is that to avoid inflation and to enforce the necessary taxes in such a way as to secure revenue adequate to the great expenses of civil war, while not imposing further hardships on the people. This difficult task depends upon the regulations set up by the Legislative Yuan. While the war lasts, a “soak-the-rich” policy should be maintained, through conscientious and effective enforcement of property, inheritance, and income taxes. The entire tax-collection system must be reformed towards efficiency, and tax rates must be realistically geared to commodity prices and people’s ability to pay. In expenditures, an atmosphere of austerity and purpose must be achieved, cutting unnecessary costs and spending effectively for the bandit-suppression effort. In this regard, government employees can be pruned, and all departments should reconsider their personnel requirements. A basic currency reform must be carried out; government bonds must be revised and really circulated; idle capital must be used; and American aid must be effectively channeled. The cooperation of the Legislative Yuan is especially asked in three key measures: control of finance and foreign exchange, control of imports and exports, and stabilization of commodity prices. Exports must be encouraged, remittances from abroad must be allowed at a favorable rate, smuggling must be banned to conserve capital, necessities must be supplied in adequate quantity, communications must be improved, and both rural and industrial production must be increased.

Even in the Northeast, where the Communists are interfering with efforts to reconstruct the nation’s industries and communications, production must be continued and improved. But a strong base must also be built in the south and west, so that rebellion suppression can proceed to the north.

Ownership of land must be equalized and measures for reform of land taxes must be continued. The real enforcement of such measures must be a primary aim, especially in pacification areas. The Communists have been using, as a propaganda weapon against the government, a land-reform principle which the government invented; and their application of it is known to be ruthless. The government's measures are single-mindedly devoted to assisting the farmer.

Agriculture must be rehabilitated, to improve products for export purposes and to meet the present domestic food shortage. Better irrigation, better fertilizers, better production methods, agricultural machinery and the expansion of cooperatives will be the necessary measures. In areas flooded by the Yellow River, rapid relief must reclaim the inundated land.

The Three People's Principles must be made the basis of the nation's advance, through: equalization of land ownership, control of private capital, and the fostering of state-owned productive and communications enterprises.

In international relations, China is committed to 1) seeking a stable peace through sincere support of the United Nations; 2) friendly relations with all nations of the world, but especially America; 3) no vindictiveness towards Japan, though she must be prevented from reviving as an aggressor; 4) friendly relations with all Far Eastern nations, so that Chinese can work peaceably in them. Hope is specifically expressed that India, a new and rich nation, will join in striving towards world peace.

America has granted aid to China both in materials and finances; and this must be effectively coordinated with China's own self-help program, both for the nation's benefit and to show her appreciation of the assistance.

In education and culture, efforts must be made to direct work towards the real needs of society. Especially since the Communists have so energetically sought to implant their doctrine in young minds, educational authorities should guide their students carefully and properly. Fifteen percent of the national budget will be for educational work.

To meet the needs of relief, administration, reform, and rebellion suppression, the Legislative and Executive Yuans must work together honestly and hard, to solve the difficult predicament of the nation.

It will be noted that the policies advanced by the Premier are general in nature, that he offers little or nothing new in the way of a program for improvement of conditions and that he promises nothing in the way of solid achievement. In the debate following his statement, he was vigorously, and also impolitely attacked on just these grounds. However, his critics had no more specific policies to offer,

and it is generally conceded that their criticism is to be construed as an attack on the Generalissimo, who is blamed by the Legislative Yuan, as well as by others, for the evil state of affairs into which the country has fallen.

The failure of the Legislative Yuan to do little other than offer destructive criticism, and the failure of the executive branch of the Government to come forward at this time with a positive, concrete program capable of attracting popular enthusiasm and support, does not promise any great successes for the new, constitutional Government. Whatever may have been the defects of the old Government, and these were many, it was, on occasion, capable of effective action. From a survey of its early endeavors, it appears that the new Government does not have this quality. The Premier's policy statement, and its reception by the legislators, would seem to indicate that our earlier fears that government under the new Constitution would soon devolve into government by stalemate, or no government at all, were well-founded.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor

893.00/6-2648

The Consul General at Hong Kong (McKenna) to the Ambassador in China (Stuart) ⁴⁸

No. 15

HONG KONG, June 26, 1948.

SIR: I have the honor to enclose a copy of a memorandum ⁴⁹ which has been prepared by Vice Consul R. M. Service, reporting on a conversation with Mr. C. Y. Li, of the Kuomintang Revolutionary Committee, on June 15, 1948.

In this interview Mr. Li stated that Marshal Li Chi-shen, on the evening of June 14, 1948, had revealed that the rapid deterioration of the military situation, and the unlikelihood of an imminent change in American policy, rendered it necessary for the KmtRC to establish, as soon as practicable, a rebel Government within China. According to Mr. Li, Marshal Li is unwilling to take this step before certain "key figures" of the KmtRC, now in Nanking, can depart from China; Mr. Li claimed that the Marshal hopes that the Embassy can assist these individuals to leave the country. Mr. Li also claimed that Marshal Li desired contact with the Embassy through a Foreign Service Officer after the establishment of a "Provisional Government". Mr.

⁴⁸ Copy transmitted to the Department by the Consul General without covering despatch; received July 19.

⁴⁹ Not printed.

Li said that Marshal Li had agreed to the release of important additional information to the Embassy, and that these data would be furnished to the Consulate General as soon as possible.

Respectfully yours,

JAMES E. McKenna

893.00/6-2848

*The Consul General at Mukden (Ward) to the Ambassador in China
(Stuart)* ⁵⁰

No. 37

MUKDEN, June 28, 1948.

The Consul General has the honor to transmit a copy of a memorandum prepared by Vice Consul Allen C. Siebens on June 24, 1948, setting forth *inter alia* information gleaned from Japanese sources on the receipt by Manchurian communists of supplies of probable Soviet origin.

While the information set forth in the memorandum on the above-mentioned is largely circumstantial and pertains to the movement of goods a year ago, it nevertheless substantiates to some slight degree the bruited supply of arms and military equipment by the Soviet Union to the Manchurian communists.

[Enclosure]

*Memorandum of Conversation, by the Vice Consul at Mukden
(Siebens)*

[MUKDEN,] June 24, 1948.

Present: Mr. Shiroyu Okudaira; Mr. Teiichiro Tani, Translator;
Allen C. Siebens, Vice Consul.

Background:

Mr. Okudaira, Japanese national, arrived at Mukden in late May having come on foot from Changchun with a group of some 48 Japanese who had left that point for Mukden in order to join the Japanese repatriation group which was at that time being organized at Mukden and which has since left for Japan.

[Here follows account of his "personal history".]

IV. Sino-Soviet Military Trade.

Okudaira's comments on this subject were the most interesting he made. He stated that during his year's service at Mutankiang with the Communists (May 1946-June 1947) he was called upon a minimum average of once a week to assist in the unloading of military supply trains. This unloading always was done at night, after mid-

⁵⁰ Copy transmitted to the Department by the Consul General without covering despatch; received July 23.

night, at a terminal particularly adapted to the unloading of vehicles because of its high platforms. This terminal was otherwise not used for the handling of freight. The trains were unloaded by Chinese and Japanese laborers and the supplies were received by Soviet agents of the Far Eastern Trade Bureau, who handled documentation pertaining to the shipments. These trains consisted of about 30 cars each, and carried tanks, vehicles, artillery, small arms and ammunition. Okudaira was ignorant of the disposal of these supplies after they were taken from the railway depot because after their unloading was accomplished he was always ordered back to his billet.

He described the tanks unloaded as having been mostly Japanese small and medium tanks but as having also included a few old-type Russian medium tanks. The vehicles unloaded he described as consisting of about one-third Russian trucks and two-thirds American trucks (characterized by Okudaira as "Dodge") and jeeps. He identified these American vehicles by the letters USA which almost all of them bore. The small arms and ammunition he judged to be all of Japanese make because they came in standard Japanese ordnance supply cases. He was unfortunately unable to make an estimate of the approximate total of automotive equipment which he assisted in unloading, but alleged that it was well over 300 in each category (tanks, trucks, jeeps).

Okudaira was a little hazy about the source of these supplies. He initially stated that they came from the Vladivostock area, but later admitted that he could not be sure that they had not been loaded at a point in Manchuria, such as Suifenho. He stated that during the time of his stay in Mutankiang the east-west Manchouli-Suifenho section of the Changchun railway, which had been changed from standard gauge to Russian broad gauge by the Red Army, had been reconverted to standard gauge by the Communists except for the Mutankiang-Suifenho section, which remained broad gauge. It was over this section that the forementioned military supply trains came, and these trains he stated to be definitely Russian. He brought out that the locomotives bore Russian markings and that in his group the trains were generally known to have been made up at Vladivostock. After questioning, he stated that the Japanese ordnance material might have come from Suifenho, where the Japanese had had such supplies in storage, but that he felt sure the automotive equipment and at least some of the artillery had come from Russia. He indicated that all the equipment carried on flatcars came tightly covered with tarpaulins.

I asked Okudaira about other railway traffic through Mutankiang, but was unable to obtain definite information. He had not been engaged in work at the railway yards except for the night unloading

of military supply trains. However, he stated that to his certain knowledge a considerable number of trains per week left Mutankiang with grain shipments for the Soviet Union.

Conclusion:

The information given by Okudaira is more than a year old and the product of an untrained observer with only average intellectual curiosity. His personal history and remarks are submitted largely because they make a limited contribution to the rather inadequate picture which is presently available to us concerning conditions in Communist territory. Okudaira's best contribution is his account of the receipt of military supplies by the Chinese Communists with the assistance of the Russians. On the basis of his remarks and general attitude, the following information can be ascribed rather high validity unless his entire report is a fabrication, which I consider unlikely: 1) Okudaira did in fact participate for a rather extended period in the somewhat secretive night unloading of military supply trains coming into Mutankiang from the east, 2) these trains were Russian trains, 3) they delivered American and Russian vehicles which very probably came from the Soviet Union.

As regards the immediate origin of Japanese made equipment delivered at Mutankiang, it is difficult to draw definite conclusions. It is possible but not probable that it was gathered at a point east of Mutankiang but within the Manchurian frontier. In the case of small arms and ammunition it appears the least unlikely that this may have been so, since the Japanese have been reported to have stored such items in the Suifenho area. On the other hand, with respect to Japanese tanks and artillery, there is room for belief they were part of war booty first taken to Siberia by the Red Army and then returned to Manchuria. According to Okudaira there were no large concentrations of such equipment in the Suifenho area during the Manchukuo regime, and inasmuch as it is known that the Red Army did take to Siberia substantial amounts of Japanese war material, it appears not unreasonable to suppose that the forementioned artillery and tanks were part of this booty and being returned to Manchuria together with a certain amount of Russian and American-made military vehicles, good vehicles being a type of material which the Japanese did not have in large amounts and which would have to be made available to the Communists from sources of non-Japanese manufacture.

A possible explanation for the operation of Russian railway rolling stock into Manchuria as far as Mutankiang is that, coming into Manchuria on the Changchun railway from the east, Mutankiang is the first station offering marshalling yards adequate to accommodate

railway freight handling on a substantial scale, the facilities at Suifenho being rather limited. Therefore any freight transactions between Siberia and Manchuria in that area, if to be effected with any efficiency, would necessitate handling at Mutankiang, as apparently was done, or at a suitable point in the Soviet Union. This latter procedure, in addition to having called for the adaptation of Manchurian railway stock for broad gauge operation, a procedure which while not difficult may at the time have presented cumbersome technical problems, would have opened the way for operation of Chinese trains in Soviet territory, a development which the Russians probably did not desire, especially since the procedure which actually was adopted is so simple.

Okudaira's statement that agents of the Far Eastern Trading Company and not the Communist military received the military supply trains at Mutankiang suggests that the Soviet government had a definite financial interest in cargoes on these trains. His statement that considerable grain export railway traffic was going through Mutankiang offers supporting evidence for the general contentions, made on the basis of a considerable number of piecemeal reports, that the Chinese Communists are exporting large amounts of grain to the Soviet Union. Under present conditions it seems logical to infer from these data that at least during the time of Okudaira's stay at Mutankiang the Chinese Communists and the Soviet Government were implementing an agreement to trade grain for arms. The existence of this traffic has been reported in various somewhat vague forms many times in the past, and Okudaira's statement, while presenting information which is somewhat deficient and which because of its source must be treated with reservation, adduces evidence corroborative of these reports.

ALLEN C. SIEBENS

893.00/6-2948

*The Consul at Shanghai (Pileher) to the Ambassador in China
(Stuart)*⁵¹

No. 97

SHANGHAI, June 29, 1948.

SIR: I have the honor to refer to the Consulate General's Despatch No. 613 of June 25, 1948, to the Department, enclosing a letter ⁵² from Carsun Chang, leader of the Democratic Socialist Party, addressed to Secretary of State Marshall, and in connection therewith to enclose a memorandum of conversation ⁵³ describing an interview which Dr.

⁵¹ Copy transmitted to the Department by the Consul without covering despatch; received July 14.

⁵² Neither printed.

⁵³ Not printed.

Chang accorded two officers in this Consulate General several days before submitting the letter for transmittal to the Secretary.

The interview, which had been requested for personal reasons by the two officers present was turned into a rather long discussion of the current political situation by Dr. Chang who seemed to welcome the chance to put forth his views. The essence of his remarks, which were lengthy and difficult to understand as they were presented in what was at times incomprehensible English, was that the sooner President Chiang Kai-shek were to resign from the Presidency and withdraw from the political scene, the better it would be for China. Only after Chiang were removed from his position of control would there be the possibility of a leader rising who would be able to unite China in effective opposition to the Communists.

Dr. Chang felt that once the Communists crossed the Yangtze River, the Generalissimo would be forced to resign. The only thing which prevented such action on the part of the Communists was their fear that there would be active U. S. military intervention. Dr. Chang felt that Li Tsung-jen might be the man to succeed Chiang and to unite China. He did not believe that Marshal Li Chi-shen would do, as the latter had allowed his name to become too closely connected with the Communists. Among other points of interest mentioned by Dr. Chang were his feeling that the CC Clique power was on the wane and that General Ho Ying-chin, "enlightened" by his stay in the U. S., would back Li Tsung-jen as opposed to Chiang Kai-shek.

At the close of the conversation, Dr. Chang stated that he would put his views in a confidential paper which might be presented to the proper Department of State authorities. Several days later, he presented this paper in the form of the letter to Secretary Marshall enclosed in the despatch under reference.

Respectfully yours,

JAMES B. PILCHER

761.00/6-3048: Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, June 30, 1948—6 p. m.

[Received 11:33 p. m.]

1214. Embassy still believes Soviet policy pattern Far East and South East Asia (London's 108, June 23, sent to Dept as 2778⁵⁴) similar to that outlined Embtel 3310, December 2, 1947,⁵⁴ although failure Communists complete conquest Manchuria implies caution in setting up independent regime and suggests Soviet planning may be directed more toward China as whole than to Manchuria.

⁵⁴ Not printed.

Soviets adapt their tactics to various parts Far East with circumspection and on basis hard realistic analysis of situation. Seems clear that events in Japan genuinely disturb them with result their propaganda on Japan now becomes louder and longer. However, Japan is long-range Soviet problem and more immediate results are expected elsewhere. Kremlin thinking might be conjectured as follows:

(1) North Korean Government, after anticipated withdrawal US forces from south, can enforce its claim of united government for all Korea, preferred method to be usual infiltration and carrying off political coup when time ripe.

(2) China presents more complex problem. Chinese CP not yet in sufficiently favorable position form separate government. Furthermore, independent Communist Manchuria does not satisfy aim of eventual Red China, and might even hinder its achievement not to speak of creating awkward treaty situation with Central Government. While hope remains of utilizing sympathetic anti-Chiang politicians (such as Li Chi-shen and the like) to form coalition government which CP could eventually capture, postponement of inauguration separatist regime and cautious handling Central Government appears desirable. Meanwhile, driving wedge between US and China on Japan and aid policy can serve to orient Chinese Soviet-wards.

(3) Obvious that maximum Communist activity to be directed all SEA countries. Problematical how soon decisive CP victories can be achieved in these areas but they would be ripe for picking when China fell to Soviet and Chinese Party leaders already in vanguard would be ready play leading roles.

(4) India tempts energetic and strenuous efforts although party needs strengthening and program must perforce be more long range than immediate.

Embassy believes China is key to whole policy and that Soviets expect success as much by political as by military means. Kremlin is undoubtedly aware of risk that headstrong cocky Chinese party might be troublesome but we believe that such risk not sufficient deter Soviets from aim for Communist dominated China assuming leadership of backward peoples Orient. Such regime would expectedly represent in actuality a merger of old Japanese co-prosperity sphere with militant Stalinism and to Communist eyes must offer a consummation devoutly to be wished.

Sent Department, repeated London 74.

SMITH

893.00/6-3048

The Ambassador in China (Stuart) to the Secretary of State

No. 287

NANKING, June 30, 1948.

[Received July 13.]

SIR: I have the honor to report my impressions of anti-American sentiment and other current issues as formed especially during a recent visit to Peiping. The attacks on me because of my statement⁵⁵ regarding American policy in Japan have been very wide-spread and violent, chiefly among editors, teachers and students. The students of Yenching University joined in that of the Peiping Student Union which led me to withdraw my promise to speak at their Commencement Exercises on June 29. I did, however, carry out my intention to go there for my birthday a few days earlier. This enabled me to gain a better insight into student thought than would otherwise have been possible. I had several conferences with different groups of them and a final one with a delegation from the city, all of which were extensively reported in the Chinese press. The causes are essentially as I reported them in the last paragraph of my despatch no. 273 of June 14, 1948, but the feelings are much more intense than I had realized. There undoubtedly are what are now popularly described as "professional students" planted in most if not all of the leading educational institutions. They have skilfully instigated and organized the recent agitations but they could not have created the prevalent mood. The two most potent causes are probably:

(1) Soviet propaganda over a long period in easily accessible and readable literature which has impregnated student thinking more profoundly than would have been expected.

(2) Discontent with the Kmt Government as the source of all their woes, its corruption and incapacity to provide protection and economic relief. They are in a dispirited mood in which they have ceased to fear Communism because they imagine that nothing could be any worse than what they are now suffering.

Anti-American feeling is influenced by both these factors. The Soviet insinuations are deliberate and plausible. They want the overthrow of this Government which is being obstructed by our assistance to it. This assistance and its aims are grossly misrepresented. The case of Japan is exploited as an instance of our imperialistic tendency and of our concentration on preparing to utilize both Japan and China for our own purposes in the coming war with Russia. They seem impervious to any suggestions that they forget Japanese remilitarization, as at most a hypothetical fear in a far-away future, and employ their patriotic energies in arousing the nation to the immediate dan-

⁵⁵ *United States Relations With China*, p. 869.

gers as dramatized by the loss of Outer Mongolia and the imminent loss of Inner Mongolia, the Northeast (Manchuria), etc. The recounting to them of Russian behavior in this last-mentioned area arouses nothing but airy skepticism as to the facts or mute indifference. It is a strange psychosis but one that must be reckoned with especially if—as has usually been the case—what the students are thinking now is an index of what the nation as a whole will soon be thinking.

I had a long talk with General Fu Tso-yi which strengthened my belief in his military abilities and in his concern over the welfare of his men and their consequent fighting spirit. He is also winning the confidence of the country people, is enlisting their assistance in a policy of self-defense, and is putting into effect a simple but apparently satisfactory scheme of land redistribution. He urgently needs equipment, including ammunition, and is trying to purchase about U. S. \$10,000,000 worth with a barter of local products through some none too reputable foreign brokers in Tientsin. I wish there were some way in which our Government could help him without driving him to these agents, after securing of course President Chiang's approval. He is manufacturing certain items himself which he told me ought to begin to be available in August. In general the North China military situation seems to be somewhat more stabilized and if Fu can get supplies and CP armies elsewhere not be too largely released for moving against him he ought to be able to hold out for some time. In view of the attitude of the intellectuals in that area it is the more important that there be a strong military control. If the welfare of the country people can be improved it will tend still further to neutralize the CP political machinations. In the city of Peiping these are said to be so thoroughly organized as almost to be on a house to house basis.

There are again faint rustlings of interest among the CP in a resumption of the PCC peace talks. Curiously enough they are not making the retirement of Chiang Kai-shek a prerequisite. They seem no longer to care much about what happens to him. They hint that if we Americans are sincere in wanting peace we should demonstrate this by withdrawing all our armed forces from China, which is only one of several indications that they continue to think in terms of our mediation. I am maintaining an attitude of friendly but passive interest while assuring them that the door is still open if they care to take advantage of it.

In the capital and in Shanghai there is growing despondency of which the fantastically mounting inflation and even more fantastic rumors are symptoms. It is hard to see how things can go on much longer at this pace without a break of some sort. T. V. Soong thinks of this as inevitable and is putting all his effort upon the military

strengthening of Kwangtung, not even trying to extend his activities to neighboring provinces until this basic objective will have been achieved.

Within this week General Barr will give me a briefing of his over-all plan of operations at which Admiral Badger and Mr. Clark will be present. After discussion among ourselves I shall probably go with him to present it to President Chiang. I have already been urging him to entrust military operations to the Minister of National Defense together with a small group of responsible associates. They would of course receive suggestions from the President and secure his approval of at least major operations, but apart from this he would not interfere. He at first said he would consider this idea but later in the conversation promised that he would follow whatever is the American procedure. I pointed out that I was not concerned so much with personalities as with the system. General Barr's over-all plan would follow along naturally with this proposed change of procedure.

Although it is more obvious than ever that there can be no improvement in military affairs without persistent American advice yet the swelling anti-American temper is a reminder that this given in disregard of other factors will merely serve to aggravate the problem. I need not comment again on the need for more progressive administrative reforms and on the possibilities in a program of rural reconstruction. But I venture to urge once again the value of having our own well-planned publicity. We are anxiously awaiting the arrival of Mr. Bryan.⁵⁶ It also occurs to me that it might be very beneficial if one or more outstanding Americans could be persuaded to come here for a lecture tour which need not require more than about three months. Really well-known persons would be eagerly listened to by the intellectuals and they could be appealed to on patriotic grounds. The name of Mrs. Eleanor Roosevelt has been suggested. I have in mind also such names as that of Chancellor Robert M. Hutchins, University of Chicago, President Karl Compton of M. I. T.,⁵⁷ or his brother now president of Washington University, St. Louis, President James B. Conant of Harvard, etc.

Respectfully yours,

J. LEIGHTON STUART

⁵⁶ Jack H. Bryan, proposed Public Affairs Officer.

⁵⁷ Massachusetts Institute of Technology.

893.00/6-3048

The Minister-Counselor of Embassy in China (Clark) to the Director of the Office of Far Eastern Affairs (Butterworth) ⁵⁸

NANKING, June 30, 1948.

DEAR WALT: From your letter of June 1, 1948, I gather that we have not made ourselves too clear on the subject of Marshal Li Chi-shen. The truth of the matter is we have no real idea as to the extent of his support in China, nor as to how much support he could attract were he to come to the mainland and set up an opposition. On the other hand, he and his supporters in Hong Kong speak with such assurance and in such positive tones as to indicate the possibility that there is something behind the movement. Li has even gone so far as to name names and to claim that his supporters in China include Fu Tso-yi, Wang Yao-wu, Yen Hsi-shan, Ma Hung-kwei,⁵⁹ and Liu Wen Hui, the latter being Governor of Hsi-K'ang, who is said to be a great proponent of regionalism and provincial autonomy. Naturally we are using discreet methods to check whether there is foundation to Li's claims in this regard. As you will have seen from our telegrams, it was Fred Schultheis⁶⁰ who was originally impressed when he visited Hong Kong with the possible importance of Li and the KmtRC. Accordingly, I asked Fred to draft me an answer to your letter, and this he has done in a memorandum dated June 23, the original of which I enclose.⁶¹

I discussed Li Chi-shen and the KmtRC with T. V. Soong when I was last in Canton and found him most positive in brushing aside both Li and the Committee as of no consequence. He said any one who would pay sufficient money into the KmtRC till could be appointed Lieutenant General and he had within recent months arrested three such Lieutenant Generals whom he had not even bothered to execute.

As I see the situation at the moment, the Generalissimo is concentrating more and more authority into his own hands and no one else is permitted to do anything in any field without the Gimo's prior consent. It is even reported that he was running around Kaifeng the other day like a Sergeant issuing orders hither and yon and interfering generally with the efforts to recapture the city. He himself seems utterly incapable, however, of taking the action necessary to improve conditions in China and there is a resulting impasse which

⁵⁸ Copy submitted by the Director of the Office of Far Eastern Affairs to the Secretary of State, and initialed by him.

⁵⁹ Lt. Gen. Ma Hung-kuei, Deputy Military and Political Affairs Director for the Northwest and Governor of Ninghsia.

⁶⁰ Frederic D. Schultheis, Attaché of Embassy.

⁶¹ Not printed.

is bringing the Government into increased disrepute and must inevitably result in its fall if something is not done to improve the situation. Nevertheless, those who speak of the inevitable fall of the present Government never seem to include the possibility of the removal from the scene of the Generalissimo. There is evidence, however, that the Generalissimo may envisage this possibility and he has of late been gathering about him henchmen he can trust fully, such as Ku Chu-t'ung, Yu Han-mou,⁶² and now Chen Yi who has just been appointed Governor of Chekiang. The venality and incompetence of those mentioned is well-known, but they are loyal to the Generalissimo and he can trust them to support him in his obvious determination to remain in power, come what may. Yet, should the Generalissimo stay in power, I see no prospects of improvement until the situation has first gotten much worse. It may conceivably get so bad that the Gimo may, by one means or another, be removed from the scene. Yet the Gimo seems to be the only element holding this vast country together, and should he go there would be a very strong chance that we would see a return to regionalism, making the pickings much more easy for the Communists. As we have reported, Li is the only visible successor to the Gimo who is actively campaigning to succeed him. Li Tsung-jen is a failure in this regard. After his election he saw the Gimo two or three times a week, yet they talked about nothing but the weather. The Gimo refused to consult with him on any matter of importance and Li was powerless to do anything about it. I have seen Li Tsung-jen several times since his election and he gives me the impression of being a bright young boy who has slipped unobserved by his parents into the company of his elders, is surprised to find himself there, and is at a loss to know what to do.

As I see it, what is needed, and what is needed most desperately, is inspired leadership or some measure, or measures, by the Government which will rally the people to its support and give them hope that at some time there will be an end to their present desperate situation. The people are rapidly reaching that mental stage where anything appears better than their present plight and there is an accelerated growth of opinion that an accommodation can be reached with the Communists which will bring peace and prosperity without Communist domination. In the meantime, the Government, confronted as it is with a rapidly deteriorating situation, seems helpless to do anything about it. It is befuddled and very much like the man whose house is on fire and he does nothing but wring his hands when he could call the Fire Department to his aid. It is a most dark picture and unless we can find some way to do the impossible, the Communist

⁶² Commander in Chief of Chinese Ground Forces.

advance may be expected to continue practically unresisted. Except for Fu Tso-yi, Nationalist Government troops are just not fighting. Fu Tso-yi is a bright spot in the North and if we can find some way to encourage, and possibly aid, him, he should be able to stabilize that situation for an indefinite period. One other bright spot, yet one confirming the gloomy picture I have painted, was T. V. Soong's⁶³ most frank remark to me recently that he was begging, borrowing, buying and stealing all the arms and ammunition he could get his hands on in his efforts to make Kwangtung impregnable. He had been offered large authority in Fukien, Kwangsi and Hunan, but said he had refused until he could make Kwangtung impregnable. Once that had been done, he was prepared to enlarge his authority gradually, but only as he was able to defend such a larger area against all comers. In the meantime the defense of Kwangtung has top priority in his bailiwick. Incidentally, he gives the impression of being quite successful in that task and the AAG is just now beginning to establish in Kwangtung three training centers, at each of which a Division will be trained. T. V. Soong says he already has the arms. Who knows but that we may once again find ourselves witnessing a march north from Kwangtung reconquering the country from Communism as the Kuominchun recovered it from the war lords of yesteryear. All of which brings me to what I believe is the basic ill in our China. When the Kuominchun made its victorious march north, taking over from the war lords, it was young, inspired, and well led. Those leaders have now grown old, have waxed wealthy and soft. Their main interest is to preserve what they have acquired. The youth, inspiration and leadership are now being supplied by the Communists and they are going to win if leadership and inspiration are not provided to oppose them.

Very sincerely yours,

LEWIS CLARK

893.00B/7-148 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, July 1, 1948—6 p. m.

[Received 6:16 p. m.]

1229. Embassy believes Cominform resolution on Yugoslavia⁶⁴ has extremely interesting implications for Chinese C. P. Parallels in agrarian background two parties and applicability certain criticisms in document to Chinese party policies cannot fail to impress Chinese C. P. leaders.

⁶³ Governor of Kwangtung.

⁶⁴ See the *New York Times*, June 29, 1948, p. 1; for documentation on this subject, see vol. iv, "Yugoslavia".

Mao Tze-tung's ⁶⁵ statement in *New Democracy* that his "democratic Republic of China" is different from Soviet-style Socialist republic ruled by proletariat and that it represents "joint rule of several revolutionary classes", does not fit Cominform reaffirmation that proletariat is only thoroughly revolutionary class and must be leader people's struggle.

Cominform condemnation of Popular Front especially for inclusion varied class elements and variegated political groups runs counter to Chinese emphasis on unity CP, proletariat, peasantry, intellegentsia and *petite bourgeoisie* in "mighty independent political power" (new democracy) and on "broad united front" proclaimed Mao's December 25 speech. Chinese have, of course, always argued necessity firm direction front by Chinese C. P.

Although Chinese Party has taken more vigorous line on land confiscation, as indicated by Mao December 25, seems likely its preparation for mass collectivization might be deemed unsatisfactory by same standards applied to Yugoslavia.

Embassy does not believe Chinese Party is in imminent danger castigation or purge ordered from Moscow as such not necessary nor desirable in Kremlin's present plans (Embtel 1214, June 30). Chinese C. P. probably has Moscow O. K. for present policies; nevertheless party leaders must realize that Yugoslavia-type action toward them possible at any time. Yugoslavia case offers splendid object lesson to those Chinese elements desirous collaborating with Communists in new government. Every opportunity should be seized propaganda and otherwise to impress upon all Chinese that no "front" arrangement with Communists is conceivable unless latter expect dominate and control. A Chinese Communist endorsement Cominform resolution would serve to underscore this warning.

Sent Department 1229. Department pass Nanking 15.

SMITH

893.00/7-248

The Consul General at Peiping (Clubb) to the Secretary of State ⁶⁶

ROME, July 2, 1948.

[Received July 7.]

Subject: Opposition Political Movements in China.

SIR: I have the honor to refer to my recent despatch from Peiping ⁶⁷ reporting information obtained confidentially from General Hsu

⁶⁵ Chairman of the Central Committee of the Chinese Communist Party.

⁶⁶ Mr. Clubb was en route to Washington.

⁶⁷ No. 115, June 14, p. 302.

Ch'eng-chia in regard to a dissident political movement reputedly now developing within the Nationalist camp in China, and to enclose as pertinent in this general connection a copy (in English translation) of a lithographed document⁶⁸ received from General Hsu on June 19 purporting to set forth in outline form the organization of the movement.

It has been noted before that General Hsu reported that there were only four persons (presumably in the Nationalist camp) who knew of the movement. He informed me at Shanghai that those four persons were Generalissimo Chiang Kai-shek, General Tu Yü-ming,⁶⁹ Yü Chi-shih,⁷⁰ and himself. He said that his name appeared on the list of the dissidents because he was the Government's agent in the enemy camp. As reported before in this general connection, General Hsu's connections with the Northern generals, and with persons apparently in the Li Tsung-jen camp, are outwardly close. General Hsu accompanied me to Shanghai for the express purpose (he said) of getting the document to me before my departure for the United States after an attempt of a few days earlier to obtain it from its Nanking custodian, K'ung Hsiang-li, had failed because of K'ung's absence from the city. General Hsü's particular purpose of giving me this information does not appear entirely clear if he is as stated in the Nationalist camp but his move would perhaps have some meaning if he were, as outward appearances would indicate, himself in the opposition camp. General Hsü has indicated that, depending upon future developments, he may communicate further information by delivery to the Consulate General at Peiping of a communication for forwarding to me at Washington by confidential means. Such later information would presumably throw further light on the movement and its development. It will of course be appreciated that, in any event, General Hsü's communications thus far to me have been on a strictly confidential level and that his identity should not be revealed, as source of that information, to either the Government or Opposition side.

The enclosed document depicts a movement which is well organized, and obviously well past the initial stages of development. General Hsü stated, in response to my question, that the schedule for the further development of autonomous political groups in five different areas of China, starting with Manchuria and proceeding through North China, the Northwest, the Southwest, the Southeast and ending up on the Central Plain (that is, right at the heart of the National

⁶⁸ Not printed.

⁶⁹ Deputy Commander, Bandit Suppression Headquarters, Hsuechow, Kiangsu.

⁷⁰ Director of the Military Affairs Bureau, Office of Generalissimo Chiang Kai-shek.

Government's power), was already in progress. There are certain elements in the picture which remain difficult to understand, but the form of the whole seems to be becoming clearer. It is not apparent at first sight, for instance, why the "International Communist" Li Li-san should be classified as a member of a so-called "Reform Group" of the Chinese Communist Party. It is perhaps appropriate to note in this connection, however, that Li Li-san is known to adhere closely to "the Moscow line"; and it is perhaps of further interest to note that Soviet consular officials in Peiping in recent conversations have stressed even more than previously in the past few months their purported belief that China should cease its civil strife and have a "coalition government", that is, one including the Chinese Communists. It is true that this suggestion may be only a red herring, but it may equally well represent a dominant realization on the Communist side that the Chinese Communists, for all their military victories in the field, would find their interests best served by gaining a breathing spell, in the form of a truce in the present fighting, in which to consolidate their gains and at the same time endeavor to further by political means their program for achievement ultimately of political control over all of China. That the Chinese Communists find themselves confronted by serious political and economic problems has been suggested in previous despatches from Peiping: in those circumstances, the Communists, even as many in the Nationalist camp, might conceive of a politico-military truce as offering a chance for relief from some of their present burdens.

Immediately before my departure from Peiping, I was informed by Dr. Joshua Mingchien Bau, whose views I recently communicated to the Department, that all indications were that Generalissimo Chiang Kai-shek was committed categorically and irrevocably to continuing with the civil war; therefore, Dr. Ban said, there seemed to be no hope that the "peace movement" of which he had previously informed me could go any farther.

Respectfully yours,

O. EDMUND CLUBB

893.00/7-548

The Ambassador in China (Stuart) to the Secretary of State

No. 290

NANKING, July 5, 1948.

[Received July 12.]

SIR: I have the honor to report developments in the revolutionary movement of Marshal Li Chi-shen who for some time past has had his headquarters in Hong Kong. Mr. Richard M. Service of our Consulate General staff there is in frequent contact with him or his repre-

sentatives and reports that he is quite anxious to have American cooperation in this undertaking. Mr. Service has the impression that Marshal Li is working hard and is confident of success. He intends to declare himself openly before the American November elections as the head of the "Southwestern Provisional Government", with headquarters probably in Kueilin though they refuse to divulge this feature. He apparently counts on the support of Li Tsung-jen and Pai Ch'ung-hsi, and they are of course all fellow-provincials. He looks forward to a new P. C. C. agreement and revised Constitution followed by a Coalition Government with the Communist Party participating.

A few weeks ago Marshal Li wrote me expressing his desire to talk with me and implying that it was not impossible to reach an understanding with the C. P. After some reflection I showed the letter to President Chiang whose first remark after reading it was that he wondered how closely in contact the writer really was with the C. P. I replied that I was much more concerned with his own ability to ignore all personal or political estrangements among non-Communists and rally them in a supreme effort to end the internal conflict. He left me free to reply to the letter at my discretion but advised me not to write a personal reply. I wrote Mr. Service asking him to acknowledge the receipt of the letter verbally and to assure the writer of my readiness to learn whatever he saw fit to tell me. I am informed that both Marshal Li and his lieutenant were visibly disappointed at not receiving a signed letter from me.

We have been approached as to the possibility of our transporting two very important members of the Nanking Government to Hong Kong, whose names as yet are undisclosed. This may be more of a desire to involve us than because of the exigencies of air travel.

A few days ago an agent of Marshal Li's stopped by to see me on his return from Peiping. He mentioned the names of several men whom I happened to know as ardent supporters of Li Tsung-jen which adds some color to the assertions that the Vice-President is associated with the movement. He also wished to get some indication of the probable American attitude. I replied that it seemed to me much more important for them to ascertain the real attitude of the C.P. toward a negotiated peace, the demands they would make, etc., and to determine their own policy in the light of what they could thus learn. We Americans desired to help toward whatever would result in a united, peaceful, prosperous and truly democratic China.

These minor details are reported because the Li Chi-shen revolt may gain rapidly in strength in view of the increasing unpopularity of President Chiang even among government officials and the general expectation of his approaching fall from power. In such an atmos-

phere many who would otherwise be loyal may question the value of such fidelity and many more will follow their opportunistic instincts. In short we must be prepared for the possibility that this movement may gain rapidly in volume once it has announced its program and succeeded in forcing the President's retirement. Its declared aim is in effect a reform within the Kmt and the enforcement of the Three Principles of Sun Yat-sen. Whether the Vice President would become President by constitutional procedure we can only speculate.

American interest in this movement is primarily perhaps in its bearing on the spread of Chinese Communism. General Barr and his associates envisage a two and a half-year plan in which to rid China of armed rebellion. Even assuming that the Chinese leaders accept and are able to act according to the advice given in carrying out such an over-all plan, any realistic appraisal of its feasibility must include the present fiscal and psychological factors. On the other hand, a revolt within the Kmt that in order to achieve success compromises too easily with the C.P. may prove disastrous. In this turbulent situation I shall do my best to learn of further developments and to keep you informed.

Respectfully yours,

J. LEIGHTON STUART

893.00/7-648 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, July 6, 1948.

[Received July 6—10:29 a. m.]

261. Reference made to unnumbered telegram July 5th to Embassy ⁷¹ re Peiping student demonstration. Attempt made to reach Embassy, Nanking, evening July 5th, a holiday, through AAG facilities, Peiping USIS station not being able to contact Shanghai and Nanking stations.

At about 9 a. m. on July 5 estimated 3,000 Peiping students including middle school boys and girls carrying banners indicating various schools marched in well-organized and orderly manner to demonstrate before Peiping municipal council building against treatment being meted out northeast China students residing in Peiping, particularly a resolution alleged to have been passed by the Council recommending Northeast students recently arrived Peiping be screened with some permitted to enter universities, others to be drafted into army.

In afternoon attempt made by students to enter residence president of Council in Legation quarter. At 4 p. m. police or soldiers fired on students near east gate Legation quarter, 5 students reported wounded.

⁷¹ Not printed.

From 4:30 p. m. to 7, students in two groups about 500 immediately inside Legation quarter east gate and about 300 immediately outside east gate but fairly orderly with police and soldiers guarding east gate Legation quarter and home president of Council at No. 1 Legation Street.

At 7, soldiers opened fire on students outside Legation quarter. Military Attaché Barrett⁷² counted 13 wounded and 3 dead. Reports other sources state total for day 5 students dead, 20 wounded. City quiet but tense with strict martial law in effect. Will keep you informed and report changes if any.

Sent Dept 261; repeated Nanking 413, Tientsin, Mukden and Tsingtao.

TOUCHETTE

893.01/7-648: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 6, 1948—noon.
[Received July 6—10:51 a. m.]

1228. Vice Consul Service here from Hong Kong reports that immediately prior to his departure KmtRC representatives informed him that Marshal Li Chi-sen intends to establish "provisional govt" prior to forthcoming American presidential election. Marshal Li says that his motivation for this move is belief that present Chinese Govt will receive considerably more support from a Republican administration, which the KmtRC confidently expects, than it now receives.

We consider these statements of Marshal may possibly be true. Authority of Central Govt is now at all-time low and Marshal Li will likely move, if he moves at all, before Govt's position improves. There is a general belief throughout China that more aid would be received from a Republican administration than is now being provided. This belief is greatly strengthened by statements to the effect made by Bullitt⁷³ during his recent visit here.

Sent Dept 1228, pouched Canton, Dairen, Hankow, Hong Kong, Mukden, Peiping, Shanghai, Taipei, Tientsin, Tsingtao.

STUART

⁷² Col. David D. Barrett, Assistant Military Attaché.

⁷³ William C. Bullitt, former Ambassador to the Soviet Union and to France.

S93.00 Manchuria/7-648 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, July 6, 1948—2 p. m.

[Received July 9—11:05 a. m.]

282. Summary Manchurian situation first half 1948:

Military: Military activities both Government and Communists very limited since February. Major Communist accomplishments consisted bottling Government forces in isolated garrisons Mukden and Changchun and somewhat sterilizing forces in Chinchow sector. Communists accomplished this by relatively unopposed conquest Ying-kow, Anshan, Liaoyuan and Ssuping kai, and Government voluntary withdrawal Kirin. Communists then had Government on knees, Wei had one week's ammunition supply for sporadic defensive. Morale troops low and command disintegrated. For unknown reasons Communists failed capitalize their advantage after the capture Liaoyuan [and] were content to rest until middle May. Communists undoubtedly now aware mistake made in not pushing advantage and if again able place Government similar position will probably continue attack with all strength at their disposal. Military efforts until middle May consisted regrouping, reorganizing, and recruiting in strongly held Communist areas. Government activity consisted conserving strength seriously dissipated by Chen Cheng[']s⁷⁴ military incompetency and regrouping and consolidating forces [to] fight defensive warfare. This, together with major effort stockpile sufficient military supplies and food to enable army meet any Communist attack or extended siege, remains Government policy.

Communist military possibilities consist (1) all-out attacks Changchun, Mukden and Chinchow aimed at capture and early domination all northeast, (2) closely encircle Government defensive islands and starve into submission over long period time, (3) leave holding forces northeast and commit bulk units areas south Great Wall or (4) combination two these possibilities. Present indications are Communists believe all-out attacks too costly and that ultimate aims can be accomplished by continuing siege, that immediate conquest not essential since time working their favor because Government inefficiency and corruption and difficulty Government logistics. Indications at present Communists intend pursue seemingly most logical course leaving sizable holding forces northeast in danger finding soft spots Government defenses Great Wall area by minor probing action, hit with military strength at disposal. Determined attack against Govern-

⁷⁴ Director of Generalissimo Chiang Kai-shek's Headquarters in the Northeast (PNEH) until February 12, 1948 when General Wei Li-huang became Acting Director of PNEH.

ment stronghold remains possibility, and cannot be ignored. Coming months may, however, see shift military activity from northeast to North China areas.

Communists' military limitations consist primarily of following factors:

(1) As center of fighting shifts southward from Communist strongholds and primary supply bases north Sungari River, already overtaxed Communist transportation will have to absorb additional burden transporting military supplies and food Communist armies, since believed no longer possible Communist armies live off land unless constantly on move, and certainly not possible maintain siege any period time without being supplied from rear bases.

(2) Communist food surplus seriously depleted by shipments to Russia in exchange for essential manufactured goods such as cloth and military supplies. Unless Russia willing supply such items gratis, which seems unlikely, Communists may suffer shortages military equipment such as ammunition and weapons during coming months.

(3) Communists may be faced with serious food shortages during coming winter months because reported unwillingness farmers Communist areas plant crops greater amount than essential for personal needs. Communists' wanton requesting draft animals and pauperization of landed gentry has resulted in forced use human labor because of animal shortages, thus prohibiting cultivation large acreage, and inefficient planting and labor supervision and

(4) Time rapidly approaching when Communists must make decision whether turn for leadership to Li Li-san and his Moscow-oriented associates or to Mao Tse-tung with his non-Moscow clique. Such decision, when it comes, may well cause rift in present close unity.

Government possibilities northeast are (1) maintaining and strengthening defensive holdings Mukden, Changchun and Chinchow, stockpiling of military supplies these areas by water and rail to Chinchow and by air Mukden and Changchun, recruiting and training local forces build up strength of military even though this course action disregards welfare civil population, (2) wage counteroffensive to broaden areas around major cities now being held, or (3) wage counteroffensive to join isolated garrisons and open up connecting land communications. Such action would again leave small Government units vulnerable attack major Communist forces almost entirely [devoid?] of knowledge that no replacements either of men or equipment can be expected should any offensive action be undertaken unsuccessfully. Believed Wei has strength to undertake one offensive action but such action would have to be perfectly timed and executed to be successful. Any error would immediately result in loss to Government of entire northeast together with large munitions factory, productive coal mines, and approximately 150,000 of China's best trained and equipped troops.

Considerable pressure being brought upon Wei Li-huang wage early

counteroffensive. Wei continues of opinion that in view his physical assets and other factors opportune moment for counteroffensive not yet arrived.

Proponents of immediate offensive action point out garrisons cannot be supplied by air for extended periods and continued defensive activity ruins military morale. Wei on other hand points out northeast presently in position unfavored child, Government attitude towards military activity northeast barely lukewarm and it has placed northeast lowest priority for aid throughout entire China, and while undoubtedly willing claim Wei victory if won would probably disclaim responsibility for his defeat. Wei believes if counteroffensive not successful he will get no assistance whatsoever. He is confident he can hold isolated garrisons of Mukden and Chinchow as long as Government itself stands. Consequently his probable policy will be to hold and build up reserves in both men and supply within the garrisons and then if counteroffensive launched unsuccessfully can rely on self for salvation. Wei realizes odds against him cannot become much greater in delaying action and may find windfall in unexpected American assistance or Communist deterioration.

Summary: Anticipated action northeast coming months indicated tightened Communist rings around Mukden, and Changchun probing action on part of Communists in Chinchow-Shanhaikwan-Chinwangtao areas in ever-increasing number and intensity. Likelihood loss Mukden or Chinchow to Communists questionable and generally believed not imminent, and loss Changchun not likely until Government supply situation becomes more acute.

Economic: Picture northeast very dismal. Bright spots are continued production Fushan and Penhsihu coal mines which permits continued capacity operation Mukden arsenal and will afford some fuel for civil population Mukden during winter months and attempt produce as much foodstuffs as possible within Mukden defense perimeter.

Past 6 months have seen frenzied inflation both money and cost living, closure business both manufacturing and retail, deterioration of industrial equipment, and exodus of technical experts necessary to Far East economy. Embargo on remittances from northeast to China proper has had very depressing effect on value northeast currency. Corruption merchants and officials augments suffering masses. For example, 33 percent profit being made by materials distribution commission on relief flour purchased in intramural China. Civilian food shortages becoming acute. Believed that this shortage greater threat to continued Government hold on northeast than Communist armies.

Political: Maneuvering or activity conspicuously absent. Wei

supreme in political and military field. No rest under dictatorship of military. Democratic practices used only when more expedient than those employed by a monarch or war lord. Local population openly state police more high-handed in actions than puppet police under Japs.

Press continues requests civilian relief by proposing demands, with no consideration of possibility implementation, which only serve arouse emotion. Old northeasterners led by Ma Chan-shan ⁷⁵ continue blatant clamour for reform but offer nothing constructive. North-westerner [*Northeasterners?*] have displayed little if any more patriotism than other Chinese in that they have been among first to leave area after having amassed as much money as possible.

Political (Russian): Economic status Soviet population Mukden deteriorates and now critical. Soviet Government apparently doing nothing to alleviate. No employment available and have already disposed of merchantable chattels. Starvation will be prevalent this winter if no corrective measures taken. Large number unemployed Russians now returning Harbin through occupied areas.

Political (Japanese): Almost all Jap civilians have been repatriated. Only technicians remain Mukden. These technicians generally in good positions and fairly well paid. Probably in better status than any other foreign group except American and British.

Summary (political): If nothing done to increase civilian food supply, winter months will be exceedingly difficult. Starvation, disease and possibly epidemic expected. Major hopes Government lies in American relief, unexpected Government military successes central and North China, accelerated Communist difficulties and increase local Government military strength along with counter-offensive open and hold communication route to sea.

Sent Nanking 364.

WARD

761.93/7-648: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 6, 1948—6 p. m.
[Received July 6—10:51 a. m.]

1235. I raised with Gimo question of Government educating Chinese people on Soviet violations of the Sino-Soviet pact ⁷⁶ and behavior of Russian troops in Manchuria. Confirming what Vice Minister George Yeh told us, as reported Embtel 632, April 8, Gimo re-

⁷⁵ Commander in Chief of Sungpei Pacification Army.

⁷⁶ Signed at Moscow, August 14, 1945; *United States Relations With China*, p. 585, or United Nations Treaty Series, vol. 10, p. 300.

plied that action along lines suggested depended upon American policy. When China could count on assistance from US in resisting Soviet penetration, he was ready to abandon present timid policy and come out openly against these violations of the pact and other general unfriendly activities of Soviets.

STUART

893.00/7-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 6, 1948—6 p. m.

[Received July 7—10:37 a. m.]

1239. Within past month prestige and authority of Central Government has sunk to all time low, emphasized by military debacle on Kaifeng front and collapse of Chinese dollar on commodity and foreign exchange markets. From information available to us, it appears that, with exception of Fu Tso-yi, Nationalist commanders are avoiding combat and abandoning their positions when combat threatens. Chinese Supreme Headquarters in Nanking admits that Kaifeng was taken by Communists without resistance from defending garrison and that attacking force was even joined by certain Nationalist units. Similar conditions appear to characterize recent military activities in southern Shantung and we are forced to conclusion that, except in isolated instances, Government armies can no longer be counted to fight.

Deterioration in economics sphere is also noteworthy. New cost of living index, issued just after depreciation in value of the dollar, is arousing protests of wage earners and salaried groups who argue correctly that their incomes, as based on this index, will be insufficient permit them to purchase necessities of life. While their argument is valid, an increase in index to point where their basic needs would be satisfied would bankrupt both Government and private enterprise. Commodity prices are stable at moment but there is little or nothing to prevent other spectacular jumps with consequent increase in discontent and civil unrest.

In this situation, and as has been the case previously, Government appears to have no remedies. Military appears unable to stabilize any of fighting fronts or restore situation there to Government's advantage. Civil officials admit frankly that they do not know what to do to curb present violent inflation.

As we have reported, Generalissimo is generally and directly blamed for this state of affairs and is criticized for his inability to take any effective action to cope with situation. He is doubtless aware this criticism and of its implications. He responds to it only by trying to

safeguard his own position thru placing individuals on whose loyalty he can personally count in position of trust, regardless of fact that these individuals have long records of incompetence or corruption or both.

It is this failure of Generalissimo to use his authority for improvement conditions that forces provincial military and civil leaders to consider adoption of regional understandings and formation of regional political associations against day when Government in Nanking either falls or loses last vestiges of its authority. We have received reports from two independent sources that purpose of General Li Tsung-jen's present visit to north China is to consult with Fu Tso-yi, Wei Li-huang, Wang Yao-wu, and certain other northern leaders on formation of a third government which would control northern China. It has been reported that this government will be independent of both Nationalist and Communist control, that it will reach some sort of agreement with Communists and that if necessary it will include "some Communists." We have reported statement of T. V. Soong that he is adopting military measures for protection of south and his determination to defend that area should disaster overtake Generalissimo. Also there are indications that provisional government which Marshal Li Chi-sen states he intends forming in near future may be essentially regional in character, comprising several provinces in southwest.

As we note above, regionalism and particularism is the natural response of those who would preserve, or make a new place for themselves as authority and power of present Government inevitably declines. It is impossible to say what event would precipitate break between Generalissimo and any potential regional leader. This could result from an overt move by the KmtRC or from any comparable occurrence detrimental to Generalissimo's prestige. In any event our role in situation is not a happy one. In popular mind we are associated with Government and are regarded as principal means by which it keeps itself in power. We are asked with increasing frequency why we adopt policy of perpetuating in power a Government seemingly bent on its own destruction and facile only in paving way for spread of Communism. While we answer such queries by referring to Generalissimo's adamant stand against Communists, we are forced to admit that it is stand in name only. A continuation of his regime will almost certainly either plunge entire country into profound chaos whereupon Communists will seize power or result in seizure of power by local leaders anxious to safeguard themselves.

STUART

893.00/7-748 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, July 7, 1948.

[Received July 7—9:18 a. m.]

262. ReContel 261, July 6. Martial law still in effect Peiping but situation apparently easing following student demonstration July 5. Strict curfew imposed night July 6 from 7 p. m., to 7 a. m. Curfew for night July 7 scheduled to be 11 p. m. to 6 p. m. [*a. m.?*]

Repeated Shanghai 276, Nanking 416, Tientsin.

TOUCHETTE

893.00/7-948 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, July 9, 1948—5 p. m.

[Received July 10—2:09 a. m.]

266. At about 11 a. m. another (estimated 3,000 to 4,000) student demonstration took place but relatively peaceful. Students chalk-marking walls and buildings with slogans against Peiping and National authorities. Marched towards residence of Li Tsung-jen who received student delegation.

Five demands made to Li were (1) punish those responsible for July 5 murders—punish Fu Tso-yi. (2) Release arrested students. (3) Burial and hospital expenses for dead and wounded students and money grants to families of dead. (4) Abolish martial law. (5) Remove guards about northeast students' living quarters. As far as able ascertain Li replied he was no more than private citizen but would [use his influence] to have demands satisfied. Martial law severely tightened but eased at 2 p. m. outside Legation quarter. West gates of city closed about 10 a. m. today.

Students meeting again 5 p. m. to discuss further action by them if necessary.

No evidence of anti-American demonstration as yet. Will keep you informed any changes.

TOUCHETTE

893.00B/7-1048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 10, 1948—2 p. m.

[Received July 10—8:30 a. m.]

1260. Embassy wholeheartedly concurs with analysis and observations outlined in Moscow's 1229, July 2 [*I*], 1 a. m. [*6 p. m.*] to Depart-

ment, repeated Nanking 15. Though action of Yugoslavia will not particularly perturb Chinese Communist rank and file, if indeed it ever comes to their attention, it can hardly help but cause some wonderment among top leadership. If, as has been suggested with some plausibility, there is a schism within the Chinese Communists, or at least potentiality thereof, it should be possible to use the Cominform denunciation of Yugoslavia to assist development of this schism. Certainly this shows possibility of differences of opinion, even violent ones, within Communist parties over major policy questions and that these differences may be susceptible of exploitation.

It is noteworthy that Communist pronouncements during recent months, which have indicated a modification in tactics, have come entirely from prominent Communist leaders within China proper and for most part from leaders within those areas which have now been consolidated into North China Bureau. These pronouncements, which have been reported to Department, have suggested necessity of proceeding with land reform (though this reform is entirely one of land division and makes no mention of collectivization), a relaxation of violence against any except most dangerous opposition elements, need for conciliating middle and even well-to-do peasants, need for conciliating industrial and commercial groups and necessity of uniting all these groups into a common front against Kmt.

This new direction which reverts to doctrine of new democracy is hardly in line of recent Cominform action. Meanwhile there have been no such pronouncements out of Manchuria and such skimpy evidence as is available to us fails to indicate that Manchuria is taking action parallel to that in North China.

Whether this seeming divergence is based on fact or on poor communications remains to be seen. We would, however, be missing an opportunity if we failed through USIS to point out to Chinese Communists implications of Yugoslav situation and warn them of dangers implicit to themselves. Equally important are implications for non-Communist left and liberal groups who out of desperation are driven increasingly to left. It is perhaps indicative of Chinese Communist perplexity that North Shensi radio has so far failed to make any reference to subject.

Sent Department 1260, Department pass Moscow 44.

STUART

893.00/7-1248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 12, 1948—11 a. m.

[Received July 12—8:47 a. m.]

1263. On 9 July Hong Kong ConGen was informed by Marshal Li that he has information next Communist objective Hsuehou and that he is determined set up provisional government before that city falls. He stated belief that position non-Communist elements in PPC [PCC]⁷⁷ and coalition government much stronger if civil war stopped prior to occupation Hsuehou by Communists. Also stated that he cannot move to set up government until he secures removal three "key men" from Nanking. These men are under Government surveillance and cannot travel freely. Marshal Li requested Embassy assistance in facilitating their flight from Nanking.

We have requested Hong Kong ConGen to inform Marshal that under no conditions can we assist in flights of his Nanking colleagues. We are unaware of identity these individuals and Marshal Li refuses to provide their names. However, there are certain indications that one of three may well be Lung Yun.

As to Marshal's estimate military situation in Hsuehou area, recent confirmed reports indicate Government has suffered heavy losses since battle of Kaifeng. Communists appear to be in strength between Lunghai and north bank old bed Yellow River. It is possible that they have capability isolate if not reduce Hsuehou. Government forces in Hsuehou area constitute only large concentration for northern defenses Nanking. Only few small garrisons are stationed along Tsinpu between Pengpu and Pukou. In this situation we concur with Marshal's estimate political consequences cessation civil war prior to reduction Hsuehou garrison.

Sent Department 1263, pouched all Consulates.

STUART

893.00/7-1248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 12, 1948—1 p. m.

[Received July 12—10:06 a. m.]

1264. Events of past week involve Government in further difficulties, and, to limited extent, furnish some indications possible pattern future developments. Minister Communications⁷⁸ and Vice Ministers

⁷⁷ Political Consultative Conference.

⁷⁸ Yu Ta-wei.

Foreign Affairs and Education⁷⁹ reflect growing dismay and defeatism in Government circles by privately volunteered opinion that long continued survival of Government is highly doubtful, and we concur. While outcome much publicized "decisive battle of Honan" is still unclear, it appears likely that large Communist forces may have crossed Lunghai Railroad and that they may be in process isolating Hsuehou. In any event, Government losses are heavy, and no replacements are available for units destroyed in battle. Missionaries report that Communists have been organizing in countryside along railroad north of Pengpu for past month and control all except heavily garrisoned points. Wave of minor strikes and food riots Shanghai and Yangtze delta towns indicative of growing civil unrest, and consequences of killing of Peiping students, bound to be serious for Government, have yet to make themselves felt.

Grave concern of political and military leaders in Nanking over this situation is shared by their counterparts in provinces, where collapse of Nanking Government is confidently expected. Li Tsung-jen last week informed Assistant Military Attaché in Peiping of his belief that Government's position is hopeless and that growing civil unrest will soon spread to army, whereupon Generalissimo will be forced from office. On 9 July visit to Kunming, officer of Embassy was impressed by prevalent belief there that days of Government are numbered. He was informed by prominent industrialist with close connections top-flight Nanking political circles that emergence of Chang Chun⁸⁰ as "political leader in southwestern provinces" might soon be expected.

As we have previously reported, response of provincial leaders to deteriorating situation is development of plans for regional political associations, as is case with Chang Chun's reported intentions. On 7 July, Marshal Li Chi-shen informed officer of the Hong Kong Consulate that Li Tsung-jen is now discussing concerted action for withdrawal from civil war with Fu Tso-yi in Peiping, with Marshal Li to handle truce arrangements with Communists. The Marshal reiterated his intention establish provisional government in southwest China and said that decisive "developments" might soon be anticipated. On 9 July Consul General Hong Kong reported interview with "reliable Chinese source, believed unpolitical, recently arrived from North China." Source stated both Fu Tso-yi and Li Tsung-jen had told him separately that people of country do not support civil war and that military leaders may no longer ignore responsibility to nation. Both stated their opinion that fighting must be stopped.

Both Fu and Li have, in the past several years, been reckoned as

⁷⁹ George K. C. Yeh and Han Li-wu.

⁸⁰ Former President of the Chinese Executive Yuan.

loyal supporters of the Generalissimo. However, this loyalty had in it large element of self-interest, and with the Generalissimo's power sharply on the wane, neither has anything to gain by continuing to support him. Also, Li has been badly treated by Chiang both during and since his election to Vice Presidency, and both Li and Fu are convinced that Chiang, in recent months, has deliberately withheld from Fu support that he could have provided had he wished. These reasons, coupled with natural desire for self-preservation in grave crisis they envisage as imminent, make us think it likely that Fu and Li are consulting on the manner of their going from the Generalissimo's camp, having probably already reached the decision to part with him.

As to allegations that Peiping discussions included consideration withdrawal from civil war, in his interview with Assistant Military Attaché, Li Tsung-jen asserted unalterable determination on part himself and other military leaders to continue fighting Communists. While this is seeming contradiction to reports given above, we believe that this stand does not necessarily preclude cessation hostilities on temporary basis, or even participation in a coalition government not dominated by Communists. Popular opposition to civil war mounts throughout Nationalist China, and no government nor leader desirous of popular support can afford to ignore demand for peace. Also, recent military success of the Communists may well serve finally to convince military and political leaders alike that prolonged truce, perhaps within the framework of a coalition government, is required by the anti-Communists in order that they may regroup and reorganize to continue the struggle.

As we review considerations listed above, we see confirmed our estimates that the Generalissimo's importance as a political factor is diminishing. He is universally condemned for his ineptness and reviled and excoriated for his *intransigence* in prolonging civil war, until it is difficult to see what forces keep him in office. At same time, so far as we are aware, he has demonstrated no intention relinquish such power as remains in his hands, though he must be aware that his days are likely numbered. As we have reported before, it is almost certain that the Communists would not discuss coalition with any government which included Chiang and his immediate supporters. Yet the present Government's ability to resist the Communists further appears nearly exhausted.

We have already reported our belief that new political developments impend, and that these will likely take form of regional governments. It is not now clear just what relations between these governments will be, or whether present Government will survive these changes,

either transplanted or limited to circumscribed views, or whether it will vanish.

In this situation we are constrained to consider just what role we shall have to play, and in so considering there are but few factors on which we can seize with certainty. One of these is fact that position of present Government has deteriorated to point where our influence is probably powerless to restore it to *status quo*, for its credit with people and leaders alike has all but vanished and it does not do what it should and could to help itself. We are generally credited with being this Government's principal prop. It is held that Chiang could not survive without our support and we have onus for maintaining unpopular regime and are associated with its failure. As we say above, should regional governments appear, this Government must either disappear or become one, and not necessarily the most important, among several governments. Under such conditions, and we repeat that they are highly likely developments, we shall have to come to the decision as to the quality and degree of support we shall afford the various regions, and as to the character of our relations with them. Indeed we would take the appearance of regional governments, as a clear sign that the present Government had run its course, and that if we would, in the future, exercise influence in this country, it must be by different means than in the past. We are already finding resentment with aid to China program purely on basis that it prolongs impasse and delays inevitable collapse National Government.

Foregoing read by Lapham ⁸¹ who requests Hoffman ⁸² be advised of contents.

STUART

861.20293/7-1248 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, July 12, 1948—7 p. m.

1018. Telegram Jul 6 ⁸³ ComNavPortFac Shanghai ⁸⁴ to ComNav-WesPac ⁸⁵ repeated CNO ⁸⁶ for info reports increasing number USSR citizens proceeding Taiwan recent weeks including persons known have connection with Soviet espionage agents. Telegram further states according Chinese intelligence these persons ordered report

⁸¹ Roger D. Lapham, Chief of China Mission, United States Economic Cooperation Administration.

⁸² Paul G. Hoffman, Administrator of Economic Cooperation Administration.

⁸³ Not found in Department files.

⁸⁴ Commander, Naval Port Facilities, Shanghai.

⁸⁵ Commander, U. S. Naval Forces in the Western Pacific.

⁸⁶ Chief of Naval Operations.

AAG activities and while Chinese security organs endeavoring maintain close surveillance not believed it will be sufficient.

Emb requested discuss foregoing informally with FonOff and express Dept's concern this situation.

MARSHALL

893.00/7-1248

The Consul General at Hong Kong (McKenna) to the Ambassador in China (Stuart) ⁸⁷

No. 22

HONG KONG, July 12, 1948.

SIR: I have the honor to refer to previous reports of developments within the Kuomintang Revolutionary Committee, and to submit a brief account of an interview of Vice Consul R. M. Service with Marshal Li Chi-shen on July 7, 1948.

Li Chi-shen stated that the Vice President, Li Ts'ung-jen, is actively negotiating with General Fu Tso-yi and other military and civil leaders in North China for the cessation of hostilities with Communists. In cooperation with General Li's efforts, all agents of the KmtRC in the north are enlisting support for a peace movement. When asked whether General Li was representing the KmtRC in his peace efforts, Marshal Li admitted that he was not, but he asserted that the Vice President's program would become identified with his own very shortly after it emerged from the covert to the overt stage.

In this interview, Marshal Li added the name of the new Governor of Szechuan, General Wang Ling-chi to the list of important area leaders who are pledged to cooperate with the KmtRC.

When informed by Mr. Service that the latter had interviewed Democratic League leaders Chang Lan and Lo Lung-chi in Shanghai on July 5, 1948, Marshal Li expressed confidence that they had voiced strong support of his movement, and he made no effort to conceal his satisfaction when informed briefly by Mr. Service of the remarks of the CDL ⁸⁸ leaders concerning the key importance of the Marshal and the Vice President (see this office's despatch No. 23, dated July 12 [10], 1948, entitled "Interview with Chang Lan and Lo Lung-chi, July 5, 1948". ⁸⁹

When Mr. Service casually mentioned that he had spoken briefly with General Lung Yun during a July Fourth reception at the Embassy, the Marshal asked several questions as to Lung's appearance, welfare, morale, and so forth. He devoted considerable time to an

⁸⁷ Copy transmitted to the Department by the Consul General without covering despatch; received August 4.

⁸⁸ China Democratic League.

⁸⁹ Not printed.

account of the General's significance in the present political picture, and it was apparent that he is more than casually interested in Lung. In summary, Li Chi-shen said that Lung retains his influence in Yunnan, and that he can command the support of his scattered forces if he obtains his freedom. The Marshal also asserted that Lung is beloved of the entire population of Yunnan, a statement which might be open to some doubt in view of the ruthlessly exploitative tactics of the Yunnan warlord during his years in power.

The Marshal confirmed that he is proceeding with plans to establish a "Provisional Government" in southwest China, but he would furnish no details.

He expressed interest in the Berlin crisis and in the Yugoslav situation, asserting that American firmness would call the Russian bluff at Berlin, and that non-Russian Communists throughout the world should study closely the revelations of USSR political weakness which will unfold as the Tito⁹⁰ affair progresses. When asked if he believed that the Chinese Communists now, or later will, accept the type of Comintern control against which Tito presumably rebelled, Marshal Li said that he is doubtful that Mao Tze-tung merely is a tool of Moscow, but he added that the development of world events will decide the eventual relationship between the Chinese Communists and the Kremlin.

Respectfully yours,

JAMES E. McKENNA

893.01/7-1348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 13, 1948—11 a. m.

[Received July 13—4:24 a. m.]

1269. As we have recently reported, there appears strong likelihood that KmtRC will in near future move to set up provisional government in China proper. It is our belief that Marshal Li will not make this move unless certain of support at least in province where government established, and probably in one or more adjacent provinces. If these assumptions are correct and we believe them highly likely, this provisional government may well have some degree of permanence, particularly since the Nationalists have in past 2 weeks committed their last remaining reserve division to battle and have no regular units which could be used against provisional government.

Under these conditions we are giving consideration to advisability stationing observer with KmtRC provisional government after its emergence. We would of course defer making final decision and

⁹⁰ Marshal Tito (Josip Broz), Premier of Yugoslavia, who had been expelled from the Cominform.

recommendation until of opinion new government stable and with some reasonable likelihood survival. However, presence observer during formative stages would be highly useful in interest providing information for our own planning and for provision such liaison as might be desirable. In view of his long contact with Marshal Li and other KmtRC leaders if decision reached to assign observer, we feel post could best be filled by Hong Kong Vice Consul Richard Service. Also Military Attaché considers it desirable to assign military observer and communications equipment should decision be reached take steps outlined above.

STUART

846G.00/7-1348

*The Consul General at Hong Kong (McKenna) to the Ambassador in China (Stuart)*⁹¹

No. 24

HONG KONG, July 13, 1948.

SIR: I have the honor to enclose a copy of a translation of a manifesto⁹² issued by the Kmt Revolutionary Committee on the occasion of the recent celebration of the "Double Seventh". This manifesto appeared in only one Hong Kong vernacular paper, the National Salvationist *Hua Shang Pao*, which is, in effect, the Chinese Communist Party organ serving south China.

This manifesto so closely adheres to the CCP line that it might readily be presumed to be a Communist document. Aside from conventional Communist-line attacks on the Generalissimo and his allegedly selfish rule, the manifesto contains two patently mendacious statements concerning United States policy. The first statement will be found in the third paragraph:

"... after the war it (the Nanking Government) still dreamed of consolidating its power, and for this purpose it has sold all national sovereign rights to U. S. imperialists so that it may obtain their aid in expanding the civil war."

The second statement concerns American encouragement of the Japanese war potential, and is found in the fourth paragraph of the manifesto:

"... Japanese imperialists, aided by U. S. imperialists, are steadily regaining their aggressive strength. The rapid recovery of Japanese war industries, the reorganization of disguised Japanese army, navy and air force, the preservation of the Japanese militaristic political system and the invasion of Japanese goods into Far Eastern markets

⁹¹ Copy transmitted to the Department by the Consul General without covering despatch; received August 6.

⁹² Not printed.

all point to the conclusion that soon our enemy in the East will again become a menace to our national existence."

When a representative of the KmtRC, Mr. C. Y. Li, was questioned on July 12, 1948, concerning this manifesto, he asserted that it included statements which could give the Communists no cause to attack the KmtRC, as did all public announcements made by the Revolutionary Committee. He added that Marshal Li Chi-shen's amicable relations with local CCP leaders recently have been strained by rumors here and in Shanghai that the Marshal has been in touch with the American Embassy, and that the Communists here have been exerting strong pressure on the Marshal to persuade him to declare himself in favor of the convocation of a People's Consultative Conference in Communist territory in the immediate future. C. Y. Li stated that the Marshal, through cooperation with the local CCP leaders on minor matters (such as the inclusion in KmtRC Manifestos of Communist-line statements), has been able to maintain fairly good relations with the Communists, but that he has bluntly rejected the CCP request that he declare himself in favor of a PCC at this time. According to C. Y. Li, the Marshal has refused to give consideration to sponsorship of, or participation in, any PCC meeting held in the Liberated Areas, but favors convocation of a PCC in China just as soon as such a meeting can be held in territory to which all delegates can proceed without difficulty. Marshal Li has informed Vice Consul Service in recent weeks that he will not participate in any PCC which is held in Communist territory.

C. Y. Li asserted that a number of dissident groups in Hong Kong, including the National Salvationists, have assured the Communists of their willingness to support a PCC in the Liberated Areas. He further asserted that the Communist leadership here is unwilling to proceed further with its plans for a PCC unless it can force the KmtRC to take the lead in sponsoring the matter.

Respectfully yours,

JAMES E. McKENNA

893.00/7-1448 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, July 14, 1948—9 a. m.

[Received 11 : 34 a. m.]

204. On my recent return to Tientsin after 5 months' absence, I found local Chinese military, civil leaders, press, and many civilians increasingly bitter over National Govt policy of favoring south against north. They consider North China has been deserted by National Government, and feel this area has been discriminated against as

regards relief supplies, military supplies, allotment of foreign exchange, and other ways.

Present opinion among Chinese here is that National Government is making deliberate effort to create impression with American authorities that North China is lost and should not be considered in any American aid plans. Chinese here do not concur in this defeatist theory. They consider military situation North China is much better than Honan, Shantung, Hupeh, et cetera. Particularly since Fu Tso-yi assumption control 6 months ago, military operations against Communists have been conducted with more ability and success than in other areas. They state competent military leaders in North China have been unable conduct full effort against Communists, due lack of cooperation, funds, military supplies from Central Government.

Chinese officials here assert North China can be held against Communists if given fair proportion of American economic and military aid before it is too late. They point out military aid should accompany economic aid to [the] Kailan mines [and it] would be more secure if mines and railway have more adequate military protection. According to these Chinese, Fu Tso-yi has raised and partially trained 100,000 local militia in North China, but they have no arms; they say if arms for this number can be supplied, North China can be held against Communists.

Chinese here mention reported plans to use American aid to develop and improve mines, railways South China, harbors, docks, Canton, Shanghai power plants, water works, industries South China, and comment on apparent aid to North China not be neglected and be given fair share. Recent visit Stillman⁹³ group to Tientsin has given some encouragement, but Chinese here feel National Government will block aid to North China unless American pressure is applied. Chinese here consider that if North China is lost, rest of China will follow sooner or later, also if North China is lost, due to deliberate refusal, National Government would meet bitter resistance in future effort to recapture area.

North China people in general do not want Communism and would prefer continue allegiance to National Government if Government would assist North China and effect some reforms. Chinese here feel that if National Government continues to refuse help, North China will have to decide on future policy, whether to continue to resist or endeavor to make other arrangements. Mere Government promises to help will be futile, only concrete action in form of aid visibly arriving in North China will be effective.

⁹³ Charles Stillman, Chief of the Reconstruction Survey Mission, sent to China by the Economic Cooperation Administration.

During Stillman trip to Tientsin July 7 to 9, he visited Kailan mines and had discussions with Mayor of Tientsin ⁹⁴ and representatives of North China railways, power and other utilities and Tangku new harbor, also Chinese and American businessmen. His visit and proposed visit of Mr. Lapham have created good impression and raised North China hopes.

Tientsin American Chamber of Commerce is sending memorandum to Lapham, urging strongly aid for North China. Copies being forwarded to Department, Embassy, Shanghai, Peiping.

Sent Nanking 372, repeated Department 204, Shanghai 339, pouched Peiping.

SMITH

893.00/7-1448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 14, 1948—1 p. m.
[Received July 14—10:43 a. m.]

1286. Hong Kong ConGen reports following July 12 conversation between C. Y. Li of KmtRC and officer of consulate. Li Tsung-jen has given definite assurances desire full cooperation with KmtRC and written agreement will follow shortly. KmtRC will obtain release of its three key men Nanking referred to in ourtel 1263, July 12 without assistance. Dependent on their escape, KmtRC confident ability coordinate its plans with those of Li Tsung-jen and anticipates move will probably be made prior to July 18. KmtRC leaders will depart Hong Kong by four-engine aircraft for unspecified interior China point. Communists exerting pressure Marshal Li immediately convoke PCC in their areas which he refuses. Marshal Li invites Vice Consul Service accompany his party to interior as observer.

In Embtel 1264 of July 12 we give our reasons for belief Li Tsung-jen and Fu Tso-yi possibly now conferring over formation political alliance and cessation civil war and have on several occasions informed the Department of our belief in KmtRC expressed intentions make overt move in near future to reestablish provisional government. We consider KmtRC statement of understanding with Vice President entirely possible. Each group has as major aim formation new government and elimination Gimo and doubtless each feels this aim more easily encompassed through united action. At moment we have no information which would indicate precise nature of cooperation between two groups and would regard their "understanding" as possibly only agreement to take parallel but independent action.

⁹⁴ Lt. Gen. Tu Chieh-shih.

Maximum aim of KmtRC has been to replace Gimo with coalition government headed by Marshal Li, this new government resulting from PCC over which Marshal Li presides. While Marshal Li undoubtedly has much popular support, the degree of his organized support in terms adherence of leaders with significant political and military followings is unknown and possibly small. However, he has assiduously cultivated Communists with view of establishing himself in role of potential mediator. If able assume this role he would undoubtedly exercise much influence in any PCC and resultant government and might well be able to maneuver other regional political groups into position where they would have to cooperate with him.

Sent Department; pouched Consulate[s], China.

STUART

893.00/7-1448: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 14, 1948—7 p. m.

[Received July 14—8:40 a. m.]

1293. As has been reported, on basis available information, we believe KmtRC will move set up provisional government in very near future and that this government may well have some degree permanence and stability particularly if northern military leaders take similar action.

In interest of setting pattern our future relations with KmtRC Provisional Government and attempting influence its course of action, we believe it highly desirable have conversation with Marshal Li prior to his departure from Hong Kong in which we would suggest to him certain statements he might issue when new government announced.

Marshal Li will undoubtedly attempt rally popular support by program end civil war, call PCC and establish coalition government including Communists. As we have said, we are convinced his intention take this line of action and of support it will attract. However, Marshal Li is probably basically opposed to Communist domination China and is willing take risks involved in coalition to put self in power and to reorganize and regroup Kmt resources for more effective fight against Communists than that of present Government.

While we would have no hope of persuading him change this course action, we feel that it would be useful if we could persuade him to issue statement in early stages establishment his provisional government which would specify clear and basic antithesis between his aims and those of Communists. We would urge him to state that peace is

an essential prerequisite to the establishment of a free, independent and prosperous China and that to this end his Government welcomes assistance of all groups and individuals in China who are willing to put their country above self-interest or interests of any foreign power. It is our feeling that if Marshal Li were to make some such statement as this, it would serve to convince many of his essentially anti-Communist pre-disposition who would otherwise brand him as pro-Communist for his advocacy of an end to civil war. This, of course, would permit us to encourage him, as situation required, in any opposition to Communists that he might undertake.

It is our feeling that Marshal Li should be approached in this matter by an officer from Embassy who would deliver communication orally and who would advance argument of a desirability on part of KmtRC for maintaining good public relations with US.

Since it is believed that Marshal intends to move possibly within next few days, Department's reaction to our suggestions are requested urgently.

STUART

S93.00/7-1448 : Airgram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, July 14, 1948.

[Received July 20—3:38 p. m.]

A-626. The continuing easy willingness to demonstrate or riot has been further demonstrated in Shanghai during the last few days, outbreaks having taken place in several quarters.

The chronic sense of fear and uncertainty is being heightened with the approach of the first semi-monthly announcement of the COL⁹⁵ index, due on July 15. Wage earners are worried lest some figure as unrealistic as that of June 30 deprive them of the means of meeting their subsistence requirements. Employers are worried lest a more realistic figure drive them into bankruptcy. Those responsible for public order are worried on two counts. If the index is too low, trouble may be expected from the workers. Some prophesy street rioting and looting. If the index is too high, bankrupt concerns will close their doors and thus create hordes of unemployed who may be expected to cause trouble. Bankers and others are worried because of the acute shortage of banknotes. The Central Bank is now rationing notes to commercial banks at about 60 per cent of requirements.

It is reported that the authorities will desert all economic formulae in determining the July 15 COL index and base their figure almost

⁹⁵ Cost of living.

solely on political expediency. If a fine compromise is reached between labor and employer requirements, Shanghai may pass still another crisis without disorder. But the tempo of the debacle is increasing at an alarming rate. Reports have reached the Consulate that certain powers within the Government are laying plans to direct any possible disorders into anti-foreign channels, thus protecting the Government from the brunt of the attack and at the same time attempting to convince the U. S. Government that activities of subversive elements require immediate intervention to check Communism. If this unconfirmed rumor is true, as it may well be, the Consulate General believes that all of the other forces which play on the Shanghai masses in their particular interests and for their particular purposes will help stir the stew to a point where the several causes and forces will be hard to distinguish. This has happened in the past under much calmer conditions.

CABOT

893.00/7-1548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 15, 1948—6 p. m.

[Received July 15—8:21 a. m.]

1299. As further evidence of the probable Soviet policy in China, Soviet Ambassador ⁹⁶ recently had a 6-hour conversation on Chinese civil war with the new Minister of the Interior. Peng Chao-hsien, incidentally, once spent several years in Moscow at the Chung Shan ⁹⁷ University. The Ambassador urged that the war be brought to an end for the sake of all concerned. Peng said he replied that two points would have to be safeguarded: (1) There must be no encroachments on Chinese sovereignty and (2) that China could not desert the US, its war-time ally. This second point referred to the Ambassador's proposal that China maintain her complete independence. Peng says he sensed a certain distrust of the Chinese Communists, apparently fearing they might take a course of action similar to that of Tito. He says he also sensed a Soviet unwillingness to fight on two fronts.

Peng added to his conviction that the ideal solution would be a joint US-Soviet mediation which would end the military phase of the conflict.

It is our opinion that three conclusions can be drawn from this approach by the Soviet Ambassador:

⁹⁶ N. V. Roschin.

⁹⁷ Sun Yat-sen.

1. Soviets are seriously concerned by their estimate of the extent to which American aid will strengthen the National Government.

2. There is a growing body of evidence that the Chinese Communists are weaker than would appear superficially; that they are faced with mounting problems for armament and food stuffs; and that they are in a far better position than are we to evaluate their basic weakness which they compare with their estimate of potential Nationalist strength and are therefore desirous of ending hostilities before the Communists suffer any major defeat.

3. The Soviets on various occasions during the last 2 or 3 years have been known to express doubts and at times even scorn of the Chinese Communists. Their direct experience of working with them in Manchuria may well have done very little if anything to increase their respect for them.

In any event, we believe there will be other Soviet approaches to the Chinese Government on the basis of Soviet assistance as a mediator either singly or jointly with the US. It is our conviction that any such mediation will be calculated to advance Soviet interests to the detriment of the US.

Sent Department as 1299.

Department pass to Moscow as 48.

STUART

893.50 Recovery/7-1548

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 15, 1948.

Participants: Mr. Chen Li-fu, Vice President of the Legislative Yuan
 Dr. V. K. Wellington Koo, Chinese Ambassador
 The Secretary
 Mr. W. Walton Butterworth, Director for Far Eastern Affairs

The Chinese Ambassador brought Mr. Chen Li-fu to call on me today. After the usual courtesies and after conveying greetings from the Generalissimo and Madame Chiang, Mr. Chen Li-fu indicated that he had come to the United States in connection with Moral Rearmament and also to study at firsthand the workings of democracy in the United States. I took this occasion to stress the importance, in terms of Chinese development, of civilian control in the United States of the military authorities and the manner in which that control is importantly exercised by budgetary means. I illustrated this by a general description of the Army procedure both before and during the war; reviewed the various steps that had to be taken in formulating and obtaining approval for the China Aid Program,

first within the Department, then in the National Advisory Council, the Bureau of the Budget, by the President himself, and later in the Congress, first before the Foreign Relations Committees of the House and Senate in connection with the enabling legislation and later in the House and Senate Appropriations Committees in connection with the appropriation legislation. But admitting that this was sometimes a long and often a tedious process which proved irksome to the Executive, nevertheless it seemed to me clearly to serve the best interests of the country as a whole over a long period of time. I also touched on the importance, in terms of the Chinese scene, of the Chinese field commanders having to prepare budgetary estimates and, therefore, first learning to know their actual needs and then being committed to apply the funds for the purposes previously requested and granted.

Mr. Chen Li-fu expressed a great interest in this matter and asked if he could be put in touch with the appropriate officials in this Department and in the Department of the Army. Accordingly, I requested Mr. Butterworth to arrange for Mr. Peurifoy⁹⁸ to see him and to put him in touch with the Budgetary Officer of the Army.

As he was leaving, the Chinese Ambassador handed me an *Aide-Mémoire* regarding the Tibetan Trade Mission⁹⁹ and in response to his queries, Mr. Butterworth indicated that contrary to his impression, the American Consulate General at Hong Kong had not visaed the Tibetans' passports but had placed the visas on a special form. Dr. Koo was also informed that this Government's attitude had not undergone change as regards the general question of Chinese sovereignty over Tibet.

893.00/7-1648: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, July 16, 1948—11 a. m.

[Received July 16—8:23 a. m.]

296. Wei opened southward pre-dawn drive yesterday on Liaoyang 41.15, 123.10, with three armies in effort close pincers south of Liaoyang and capture Communist 4th column but concentration Government forces on 14th became known to Communists and 4th column slipped out of trap and withdrew southwards along railway to vicinity Kaiping. Government forces captured Liaoyang and now before Anshan. Inasmuch primary purpose offensive has failed [it] is generally believed Wei will convert drive into wheat gathering raid. Liao River valley is second only to the Heilungkiang area as Manchurian

⁹⁸ John E. Peurifoy, Assistant Secretary of State.

⁹⁹ Dated July 15, p. 761.

wheat growing area and wheat now being harvested. No indication Wei will rush present drive farther south than Haicheng.

Sent Embassy 378, repeated Department 296.

Department pass Nanking.

WARD

893.00/7-1448: Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, July 16, 1948—4 p.m.

1038. Suggestion advanced Urtel 1293, July 14, that Embassy official proceed Hong Kong for purpose advising Marshal Li is not approved.

U. S. recognition and support of Central Govt makes improper and undesirable the taking of such steps as would have effect of giving encouragement to rebellious factions, or of extending a form of official support to such factions. In China, as in other countries of world, U. S. having extended recognition to a Govt and maintaining friendly relations with it refrains from giving advice or assistance to persons or organizations seeking to displace or overthrow by force the recognized Govt.

Moreover, presence in Hong Kong of Emb official at this juncture could not fail to cause comment, particularly if proposed visit to Marshal Li became known, and might seriously embarrass U. S. Govt. Congen Hong Kong should immediately be instructed to adopt extremely circumspect attitude with regard relations between its officers and Marshal Li and to avoid offering any suggestions or indications of encouragement, personal or official.

Likewise, question raised urtel 1269, July 13, and 1286, July 14 of stationing political or military observer with KmtRC provisional govt in event of establishment could only be decided in light of future developments. Emb should also immediately make plain Hong Kong that Service should not accompany Marshal Li if departure to establish provisional govt eventuates, nor should any U. S. civilian or military personnel be detailed as observers without Dept's prior approval.

Basic and primary factor to be considered in reaching decision this overall matter should situation ultimately develop in the way Emb suggests possible would be status of Central Govt at the time. Related factors would be quality of personnel heading provisional govt, location of capital, measure of popular support, attitude towards Communists, size of area under actual control, etc. These considerations likewise would affect specific problem of observers.

Emb is urged to continue reporting developments as fully and

promptly as possible, also to continue to avoid taking any action which might compromise or might be interpreted as compromising U. S. Govt.

MARSHALL

893.00/7-1648

The Ambassador in China (Stuart) to the Secretary of State

No. 309

NANKING, July 16, 1948.

[Received August 11.]

SIR: I have the honor to submit the enclosed summary¹ of our present information concerning the Kuomintang Revolutionary Committee under Marshal Li Chi-shen, now in Hong Kong.

According to the evidence of all reports and informed opinion, the present government of China is very likely to collapse or be removed from office before many months have passed. It is, however, by no means without considerable residual strength, which has been demonstrated in the easy containment of Li Tsung-jen since his election, just as the government's weakness and people's dissatisfaction with it were manifested in his election. Although the government's vitality is easy to underestimate, there seems little doubt that the continuing onslaughts of financial and military catastrophe, together with its own inability to undertake the decisive reforms which might relieve the situation, will be the death of it sooner or later. And in the event of its demise, some regime or regimes must take its place.

Among the various alternative situations which can arise with the end of the present Kmt government, the most likely are: (a) Communist domination of all or most of China, especially if the Kmt holds out for some time yet but makes no major reform moves; (b) the appearance of regional governments; and (c) the replacement of the present CC-dominated Kmt by a freer, more popular, and more efficient national government able to maintain at least such nominal unity as presently exists in China. If either of the last two alternatives should materialize, the KmtRC is a factor which must be reckoned with more or less seriously.

In Marshal Li Chi-shen and Generals Feng Yu-hsiang and Ts'ai T'ing-k'ai, the KmtRC has well-known leaders whose personal influence may be expected to secure a good many military adherents if they set up a government on Chinese soil. The essential program of the group calls for land to the tiller, an immediate cessation of civil war, and a coalition government for all China. It will be noted that this coincides precisely with the present Chinese Communist line;

¹ Not printed.

and the KmtRC is not only working very closely with the energetic Hong Kong CCP representatives and their underground organization in Kwangtung Province, but also claims to have a basic understanding with the national Communist leaders. Nevertheless, Marshal Li and certain of his followers insist that their aims are fundamentally anti-Communist, that the present cooperation is merely a necessary temporary expedient, and that their program is the only one that can secure general popular support in China today.

Preparing for a *coup d'état* which has been generally outlined to United States officials, the KmtRC has been carrying on a program of intrigue within China to secure the allegiance of key figures in and out of the Gimo's favor. These include such men as Lung Yün, Sun Lien-chung,² Fu Tso-yi, Wang Yao-wu, Teng Hsi-hou, Yen Hsi-shan, Liu Wen-hui, and Ma Hung-kwei. Although Li Tsung-jen, as a Liang-Kwang Clique member, might logically be considered a natural adherent of the KmtRC, the question of his attitude towards the movement has not been settled. More surprising, Pai Chung-hsi and Chang Fa-kwei³ have not even been mentioned. Despite these omissions, Marshal Li has claimed that he has among Kmt military units and leaders a good-sized following which will rally to his standard as soon as it is raised.

Of course, nobody can tell finally who is going to support the KmtRC until that body makes an overt move to displace the present government. If the movement's claims are well-founded, it may be able to effect the coup it is planning; if the present government merely collapses, the KmtRC may be a decided factor in the cluster of regional regimes that will probably result.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy

893.00/7-1748

*The Ambassador in China (Stuart) to the Secretary of State*⁴

No. 312

NANKING, July 17, 1948.

[Received July 26.]

SIR: I have the honor to report that on the morning of July 16 I called on President Chiang Kai-shek with the intention of giving him

² Commander in Chief of the Nanking Defense Area.

³ General Chang was a member of the Military Strategy Advisory Committee, and former Director of Generalissimo Chiang Kai-shek's Headquarters at Canton 1946-1947.

⁴ Copy transmitted by the Department to the Ambassador in the Soviet Union in instruction No. 126, August 5, 1948.

the only advice that seemed to me to have any promise in the present extremely critical situation. He asked me if I had any news and I replied that the news which seemed to me most important was the Communist general meeting to be held next month with the idea of a coalition government on the program, and the news reaching the Embassy from Hong Kong that Li Chi-shen was planning to start his Southwestern Provincial Government in the quite near future with the intention of proposing a coalition with the Communists. These developments taken in connection with the Chinese Communist broadcasts denouncing Tito and others openly committing themselves to world communism under the dictatorship of the Kremlin all supplied the background for the suggestion I had come to make. This was that he summon a small group of leaders who were generally respected and urge them to sink all personal and political differences in view of the real danger China was now facing, which was the loss of her national independence after the Communists triumphed. It had ceased to be merely an issue of Kuomintang factional politics as against Chinese Communists but was also part of a struggle between the fundamental principles of democracy and freedom on the one side and the domination of a minority controlled from Moscow on the other. The revolution and the war against Japan had been fought to win national independence which was now again jeopardized. In such a crisis he and all others ought to put the nation above all minor issues. I mentioned by name Fu Tso-yi, Li Tsung-jen, Pai Chung-hsi, and Li Chi-shen. As to this last, he should be given the opportunity and if he failed to comply on such a basis he should be denounced as preferring Russian communism to national independence. I hoped that this would result in a joint declaration appealing to all who wanted a free nation to face the realities and support the cause. The financial crisis and the economic hardships were very real, but even these were less important than the basic issue. It should be thought of primarily as a war of ideas and he ought to beat the others to it with skillfully prepared publicity. He said that he agreed in principle and would think it over very carefully, and added that he had been planning for a conference to reorganize the Kmt. I said that I was quite familiar with this but that my concern was more in personal relationships among the outstanding leaders and that this ought to be as dramatic as possible in order to convince the public.

He then asked about American opinion and I told him that Governor Dewey's announcement about increased aid to China⁵ had produced quite a bit of unfavorable editorial and other comment.

⁵ For statement by Thomas E. Dewey, Governor of New York, see the *New York Times*, June 26, 1948, p. 1.

I had with me the latest USIS bulletin on this subject,⁶ which I gave his secretary for reference. I added, however, that if there should be a movement of the kind I was advocating which showed vitality, it would help to neutralize the feeling in the United States that this Government had been too weakened to make any assistance to it of much use. I told him that after all the greatest help that America could give was not money nor military advice but the dynamic force of our ideals which were shared by a great many Chinese but were being misrepresented and replaced by those of the Soviet Union.

He said that Americans tended to overrate the importance of Li Chi-shen, to which I replied that the man himself and his immediate followers need not be taken too seriously but that the whole nation was desperately anxious for peace and that with this popular mood any movement that held out the hope of peace through an understanding with the Communists might find more hearty support than he expected. It seemed to me, therefore, that whatever he did ought to be done with as little delay as possible. He said again that he would think the matter over carefully.

In attempting to draw conclusions from this interview the dominant impression is one of futility. I seriously question whether President Chiang has that quality of greatness which would enable him to assemble those leaders not already completely subservient to him and so to treat them as comrades as to draw out their own ideas in reaching a consensus of opinion and a group decision. The habits of twenty years, reinforced by Chinese traditional concepts, would be hard to alter. If he makes the attempt to cooperate with such a body he probably could not bring himself to do so graciously and with the unreserved sharing of minds which alone would win their confidence and impress the public. Any jointly issued statement would reflect these limitations and be unconvincing. He would also tend to draw in those upon whom he can depend which would further vitiate the effect. But nothing less than such a unified appeal, dramatic in its note of sincerity and urgency, would startle the now apathetic or disillusioned people of the country into realizing that something new and inspiring was actually happening on the highest level of their Government. Any effort to urge him further than I have done would either have to imply much more American aid than is possible or would overpersuade him to relinquish his own judgment. In either case he would cease to be true to himself and the results would almost certainly be unfortunate. It would seem, therefore, that he must be allowed to go his own way, modified to be sure to some extent by suggestions

⁶ For excerpt from the bulletin, see *United States Relations With China*, p. 876, footnote 21.

from others, or that sooner or later there will be a movement which will force him out of his present ascendancy. He seems unable to think of Communism as an extreme form of social unrest which cannot be extirpated by the combination of military force and gracious compassion which he thinks to be the method taught by Chinese history. It is tragic that the very qualities of grimly inflexible determination and enduring courage which fitted him preeminently for incarnating the popular will to resist Japan are now in some real sense a hindrance to him in problems calling for very different mental processes.

Respectfully yours,

J. LEIGHTON STUART

861.20293/7-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 20, 1948—5 p. m.

[Received July 20—8:21 a. m.]

1317. ReDeptel 1018, July 12, 7 p. m. Increase in number of individuals going to Taiwan has been discussed with Vice Minister Foreign Affairs who states that Foreign Office has recently become aware of the situation, is investigating same and will attempt to place some kind of control over this travel. Vice Minister promised to keep Embassy informed of developments.

STUART

893.00/7-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 20, 1948—6 p. m.

[Received July 20—9:10 a. m.]

1319. Minister-Counselor who was in Peiping when our 1264, 1286 and 1293 despatched found nothing to indicate and connection between Li Chi-shen and Vice President Li Tsung-jen. From the Vice President, as he had previously from T. V. Soong and other ranking Chinese of whom he had inquired, Minister-Counselor found only derision of Marshal Li's pretensions and complete disbelief [in his ability lead any effective revolt]⁷ against Generalissimo.

In respect of possibility Fu Tso-yi might become disaffected, Vice President went to great lengths to explain reasons why such action impossible. Fu was too dependent on Nanking for too many things he said ever to seek to go it alone. World conditions were no longer such that war lord could go to independent merchants to satisfy his

⁷ Bracketed insertion on basis of copy of telegram from Nanking Embassy files.

military needs. Also no one could set up a separate regime without money. Time was required to print money and money was needed to pay for it. We could be sure he said of Fu's continuing loyalty to Nanking.

Minister-Counselor was convinced that Chou En-lai was not in Peiping (our 1281, July 13 ⁸) but that there is possibility subordinate of Chou conferred with subordinate of Fu on possibility cessation fighting and that Fu and Vice President were shocked at extent of Communist demands. We say this as Vice President was almost too emphatic in protestations of loyalty to Nanking and reasons why other courses were impossible.

There is, nevertheless, in North China a feeling that Nanking has thrown that region to the wolves and anything we can do to disabuse the northern leaders and to persuade Nanking to show greater interest should be helpful.

STUART

893.50 Recovery/7-2048

*Memorandum by the Director of the Office of Far Eastern Affairs
(Butterworth) to the Secretary of State*

[WASHINGTON,] July 20, 1948.

Subject: Comments on Mr. Chen Li-fu's Memorandum ⁹

Mr. Chen's memorandum is a blend of Oriental self-abasement, veiled implications and an appeal for a "Marshall Plan for China".

After accepting partial responsibility for the failure of the Kuo-mintang-Communist negotiations in 1946 ¹⁰ and referring to "misunderstandings between us", Mr. Chen states that he knew in advance that the negotiations would fail and that the Generalissimo had agreed with him. He expresses regret that he, who had failed in three attempts to negotiate with the Communists, was not able to be of greater assistance to you, "who made the fourth attempt". He apparently overlooks the fact that the basis for the negotiations in 1946 was actually laid in the meetings held in Chungking in September 1945 between National Government and Communist representatives when agreement was reached on the calling of the Political Consultative Conference ¹¹ which met in January 1946 and reached agreement among the Chinese factions for a coalition government. The cessation of hostilities was the forerunner of this agreement and

⁸ Not printed.

⁹ *Infra*.

¹⁰ For correspondence on this subject, see *Foreign Relations*, 1946, volumes ix and x.

¹¹ For correspondence on this subject, see *ibid.*, 1945, vol. vii, pp. 455 ff.

the agreement for the reorganization of the Chinese armed forces a necessary corollary to the political agreement reached by the Chinese themselves. Regardless of the reasons for the breakdown of the negotiations, events have in general followed the course predicted by you to the Generalissimo and other Government leaders in 1946—economic collapse would overtake them before they could prove their contention that they could destroy the Chinese Communists.

When Mr. Chen describes the United States as the “doctor” and China as the “dying patient”, he overlooks one fundamental factor—the patient can live only if there is the will to survive. The “doctor” in this case has demonstrated that he desires the patient to live and has given, and is giving, a considerable amount of medicine to that end. It is gratifying to note that Mr. Chen now realizes that new methods and practices, internal unity against the Communists and the introduction of needed reforms provide the fundamental answer to communism in China and that he is prepared to work with “one and all” toward these goals.

No action required.

W. W[ALTON] B[UTTERWORTH]

[Annex]

*Memorandum by the Vice President of the Chinese Legislative Yuan
(Chen) to the Secretary of State*

Though I am on no official mission to call on you, I wish to avail myself of my present visit to the United States to have an informal talk, so that whatever differences there might be between us, resulting from the Chinese Government negotiations with the Communists a few years ago, might be cleared up.

If there should be any misunderstandings between us, I might have a chance to explain myself. If I have done anything wrong, I would concede my mistake and blame myself for it.

You will remember that in the course of your mediatory efforts, which lasted well over one year, I had the pleasure of chatting with you for only two short hours. I regret that I did not have ample opportunity to tell the life-and-death story of my struggle with the Communists for more than two decades. I am sure that you, as an impartial observer, would like to hear what I have to say before you deliver your final verdict. If I discover any mistakes on my part, I will gladly take on myself my share of the responsibility, and learn how to do better in years to come. For, I do not wish you to despair of the whole of China as a result of the mistakes which I, as an individual, might have committed. I am afraid that any such despair

on your part might have the effect of placing the 460,000,000 Chinese people at the mercy of the Red Terror and of reducing China again from an independent country to a colonial status.

I have always felt regret that I did not insist, before the negotiations between the Chinese Government and the Communists took place, that a person of your stature should not be involved in the discussions. The Generalissimo agreed with me, but the Minister of Foreign Affairs thought otherwise. My experience with the Communists and with Russia had convinced me that these negotiations would run great danger of failure. Three times before we had tried. This made the fourth attempt. I knew in advance that the chances of disappointment were very high.

It will interest you to know that I later found out that the Central Political Council of the Communists had previously made a decision to enter the negotiations with the cynical intention of reaching no conclusion. Their declared object was to gain time for further military and political preparations. I asked Dr. Leighton Stuart to tell you to prepare for a breakdown in the negotiations. No compromise was possible when the typically opportunist mentality of the Communists prevailed.

My fault in the whole matter was that I did not insist strongly enough on seeing that the right thing was done, in respect to advising you in advance about the convictions I held.

One more point. The student uprisings which took place against the Communists were not of my doing, as some have alleged. These were a spontaneous outburst of patriotic feeling, which I was powerless to prevent.

It is a source of great regret to me—and I am profoundly sorry—that I, who had failed in three attempts to negotiate with the Communists, was not able to be of greater help to you, who made the fourth attempt. Yours was a sincere desire to aid my country and my people. If you had succeeded, it would have given China a period for reconstruction, and, I may add, for survival, which the Communists had no intention we should have.

You will recall that President Chiang Kai-shek led the Chinese people successfully in 1926 to overthrow the warlords, and later to unify the country, stem the rising tide of the Red menace, and resist the Japanese aggression. Will you please visualize China's position. She has been the object of foreign encroachment for many years. She has been able to liberate herself, partly through her own efforts, and also by the generous assistance of her friends, especially the United States. Now at the end of eleven years of intermittent warfare her resources are exhausted. Her need of a helping hand is just as urgent as that of the thirteen colonies for French assistance during

their War of Independence. Had the French withheld their support, the rich and prosperous United States which we see today might not be what it is.

It is my earnest hope that the Chinese people will remember you as their Lafayette. I may very well be forgotten by them, but you shall not. If the plan which is known by your name succeeds in Europe, as I have no doubt that it will, but no comparable success is forthcoming in Asia, then the gains which the democracies score in the west will not be able to sustain their losses in the east. In consequence of which, over 70,000,000 Chinese would suffer cruel death, calculating on the basis of the number of those killed by the Communists when they were in control of Kiangsi Province from 1928-1935.

A doctor would never see his patient die without raising a finger in a last desperate effort to save his life. To make the analogy complete, we should add that the patient is not only suffering from internal ailment but is also menaced by a group of gangsters, and that the doctor is widely known as a chivalrous gentleman. Under such circumstances I am sure the doctor will do everything in his power to protect his patient.

If you think that I can be of any help to you as the doctor in question, I will discard, in real earnest, all methods and practices that were in use during the period of political tutelage by the Kuomintang, because they are incompatible with the requirements of the constitutional age which has now begun. No matter how others may treat me, I will do my utmost to promote internal unity and present a united front against the Communists.

I will work with one and all to bring about the much needed land reform, to infuse a new spirit of cooperation in the Kuomintang, and to introduce measures into the Legislative Yuan, looking towards the socializing and rational distribution of wealth. I am of the opinion that it is only through these means that the fundamental reason for the existence of the Chinese Communists can be removed and China can expect to have a new lease of life.

893.00B/7-2048 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 20, 1948.

[Received July 30—8:13 a. m.]

A-191. In a recent conversation with an officer of the Embassy, Dr. Li Wei-kuo, Secretary of the Executive Yuan, said the Chinese Government has what it considers to be reliable, though not as yet defin-

itively confirmed information that the Soviets in Manchuria have divided Communist areas into two sections. The first one which is south of Harbin is left under Chinese Communist control. The second area which is north of Harbin is strictly under Soviet control and it is exceedingly difficult for Chinese Communist officials to enter the area. This information further states that the Soviets are training a Chinese army of some 2 million men in the northern area. Dr. Li promised to give the Embassy any further information which might be developed on this question.

STUART

893.002/7-2148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 21, 1948—4 p. m.

[Received July 21—10:34 a. m.]

1334. Air Nanking is full of rumors as to ways and means of persuading Generalissimo to change his way or to make his regime more effective (Shanghai's 1627, July 20, repeated Nanking 1316¹²). No one in Embassy has urged Generalissimo to retire in favor Regency as suggested Shanghai's telegram.

Sent Dept 1334, repeated Shanghai 644.

STUART

893.00/7-2148 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, July 21, 1948—4 p. m.

[Received July 22—8:37 a. m.]

303. After several months' lull in military activity in areas south Mukden, Government forces on 15 July began offensive action. In well planned and coordinated attack, Government units struck southwards attempting trap Communist forces in Liaoyang. Communists withdrew and Government recaptured city without difficulty. Strong Government advance units then penetrated southwards to Lishan. Other smaller Government units now making minor raids in areas southwards to Newchwang. Simultaneously with south drives, Government troops in Tiehling area north Mukden and Hsinmin area west Mukden sent raiding units northwards. Attacks planned so no unit remains more than 3 days' marching distance from Mukden. No intention presently open Mukden-Yingkow corridor.

¹² Not printed; reference was made therein to "rumor that US Government has urged Generalissimo to retire in favor of 7-man regency board." (893.002/7-2048)

Main purpose these Government attacks to attempt entice Communists' attacks on Government strong point Mukden area so that Government could counterattack and inflict heavy losses. Communists have failed to do this. Secondary purpose attacks gather wheat recently harvested. Government claims this successful. State primary drive secured enough wheat maintain entire army next 4½ months when used with supplies already in storage and in addition sufficient wheat secured feed entire population Mukden area until kaoliang crop harvested October. Although Chief Staff NEBSH¹³ states kaoliang crop only and immediate Mukden area unusually good and while not adequate for needs will be sufficient keep Mukden population alive until next spring, his statement seem overoptimistic even for the starvation diet now common this besieged area.

Sent Nanking 385, repeated Department 303.

WARD

893.00/7-1548 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, July 21, 1948—6 p. m.

1054. It is noted that Emb in drawing three conclusions set forth Embtel 1299 July 15 apparently did not take into account Peng's interesting observation that Sov Amb seemed to fear CCP might follow course similar to Tito. If such anxiety basis Sov Ambs apprehension, it suggests USSR may regard CCP as stronger rather than weaker as Emb concluded. It could follow from such estimate the Kremlin seeks political solution now when through mediation it may play Kmt and CCP against one another and exert influence on outcome rather than watch CCP continue gain ground and become more headstrong.

Did Peng report anything not mentioned Urtel which would support Embs conclusions rather than foregoing deductions?

MARSHALL

893.00/7-2248 : Telegram

The Consul General at Canton (Ludden) to the Secretary of State

CANTON, July 22, 1948.

[Received July 23—11:52 p. m.]

140. In conversation with Governor this morning he expressed concern with regard overall deterioration situation in north and stated categorically that reform from within Kmt can not be expected

¹³ Northeast Bandit Suppression Headquarters.

even though party congress for that expressed purpose may be held at Lushan shortly.

Soong castigated Legislative Yuan for unreasoned attacks on present administration and ineptitude in current "soak the rich" campaign. Soong expressed himself as in favor of forced capital levies but only if Government demonstrates that condition can be created in which victims of such levies have reasonable hope of recouping; otherwise, nothing but bitter and powerful enmity could be expected.

Soong went on to say that now is the time for strong and ruthless government, amounting to dictatorship, wherein best brains of country, particularly from business and financial circles, who, he stated, are more than willing to assume leadership, would be granted power and authority to act in what he characterized as a "desperate" situation. He went on to add that even though Gimo's prestige has been seriously damaged of late it is still necessary to make use of Gimo's unique position in China. I asked Soong if it could be expected that Gimo would delegate authority such as he envisaged. Soong replied vehemently that Gimo "must undertake such action, and allow competent administrators to act without interference otherwise there was no hope of salvaging situation.[""]

As in previous conversations, Soong reiterated his opinion that Li Chi-sen was not currently an important figure. Soong stated that in event total collapse Government, Li could possibly assume position of power in resulting scramble but believes he is not capable of rallying sufficient political support to establish pretender regime except as Communist stooge. Soong does not believe that Li would accept latter role. Soong observed rather cynically that Li would find that many of his former subordinates, upon whom he may be relying for support, would be found to be people with very short memories when day of action arrived.

In course conversation Soong confirmed Embassy's information to effect that Li emissaries have been in contact with Fu Tso-yi and Szechuan and Kwangsi leaders. Soong of opinion, however, that Fu Tso-yi is in too dangerous a military position for any extracurricular adventuring; Szechuan group not united and Kwangsi elements too clever to become involved at this time with his obviously Communist support.

Soong expressed firm belief that he can maintain stability in southeast, provided there is no major crossing of Yangtze by Communists.

Sent Nanking, repeated Department.

LUDDEN

893.00/7-2348 : Telegram

*The Consul General at Mukden (Ward) to the Secretary of State*MUKDEN, July 23, 1948—2 p. m.
[Received July 23—11:30 a. m.]

308. Local restrictions reaction shooting northeast students Peiping July 5 still emotional and criticism of way in which investigation being handled by Nanking and Peiping authorities very caustic. Impossible state whether criticism, which has taken form threat to Government by prominent northeasterners that failing satisfactory redress by August 1 northeast will declare independence, is primarily centered around student deaths or whether northeasterners using deaths force recognition numerous complaints against Government, primarily of which is restriction on remittances to intramural China. In any event notable northeasterners, normally sound and well-balanced, now openly agitating northeast independence move if Government does not meet northeast demand. Consul General today discussed move with Wei Li-huang, who stated Nanking will send important official Peiping make thorough investigation. Wei believes period enable their rational thinking processes overcome present emotional outburst. Wei has also sent representative to Nanking to attempt settle problem of remittances to intramural China from northeast.

WARD

893.00/7-2648 : Telegram

*The Consul General at Mukden (Ward) to the Secretary of State*MUKDEN, July 26, 1948—11 a. m.
[Received July 26—8:48 a. m.]

312. Recent Government raid all fronts successful from Govt viewpoint. No intention on part Government open and hold corridor Yingkow or seize and hold localities garrisoned by isolated units susceptible to later annihilation by superior numbers Communist troops. NEBSH states raid started to accomplish following objectives:

1. Make contact Communist troops and destroy as many as possible.
2. Protect grain presently held lost areas and seize wheat harvest in areas from which Communists driven.
3. Determine whether reorganization Government armies by Wei successful and to prove to Wei he can now expect complete coordination various ground units, with each other, with air support and with artillery.
4. Prove to local population still have potent fighting force protecting them.

Reports emulating [*emanating?*] sources within NEBSH indicate Wei satisfied with execution campaign plans. Raid succeeded in reducing Communist 4th column from good second rate column to very poor third rate unit. All grain in Government-held areas being harvested without molestation and some wheat in Communist-held areas obtained. Excellent coordination, cooperation, leadership and morale displayed during action, which will probably serve to rationalize emotional attitude northeasterners toward shooting students Peiping.

Government not expected attempt hold advance positions and may within coming week fall back to prepared positions held prior beginning raid, although possible Government may attempt hold Liaoyang. Raid has demonstrated that should it become expedient to Wei to open Mukden-Yingkow corridor, he has ability to open even though ability hold questionable.

Government activities South Mukden have not relieved Communist pressure on Changchun. Recent reports state Communists now moving one their first rate columns (second) to Changchun area to intensify siege.

Sent Nanking 392, repeated Department 312.

WARD

893.00/7-2748: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 27, 1948—11 a. m.

[Received July 27—4: 59 a. m.]

1366. Embassy believes observation contained in Deptel 1054, July 21 is well taken. Embassy quite possibly placed undue emphasis on its appraisal of CCP weakness and increasing problems which it faces in areas now under its control. Peng said nothing additionally which would support Embassy's deductions which were made largely on basis of information from other sources.

Embassy in referring to CCP weakness should have elaborated that it meant weakness in relation to previous Communist strength and not in relation to National Govt strength. Indications to date are that progressive deterioration in Govt position have increased Communist strength relatively though not absolutely. Soviet Ambassador is doubtless aware of this but Soviets may well conclude that cumulative effects of American aid during coming year may quite possibly reverse present trends.

Embassy agrees that repercussions and implications of Yugoslav developments must play a major and disturbing role in Soviet thinking. China would be no exception and might indeed cause graver concern than certain other areas because of distance of China from

Moscow, because of traditional Chinese qualities of individualism and nationalism and because Communist efforts to take over all China are so far from being completed. In any such situation it is obviously to Soviet advantage that military attempts be abandoned in favor of political action.

Recent developments do indeed suggest that effort for a unified China may, at least temporarily, have been abandoned in favor of a system not unlike that adopted by Japanese in China. It is seldom that reference is made any more in North Shensi broadcasts to Manchuria which might suggest that that area is being subjected to a kind of integration and control which is so far not possible within China proper. Failure of a Communist spring offensive to materialize in Manchuria has been interpreted in generally well informed military circles as a result of a conflict over strategy between Lin Piao ¹⁴ and Mao Tse-tung. At same time there has been an announcement of [consolidating] all Communist controlled areas in North Shensi [*China*] but south of Great Wall into one organization called North China Bureau. Communist armed forces in North China area have in recent weeks become active in all directions, probably with objective of eliminating as much Nationalist resistance as possible throughout area. If North China Bureau can consolidate its hold without assistance from Lin Piao, it seems hardly likely that Mao Tse-tung will subsequently be much disposed to submit to Manchurian direction. It should also be remembered that CCP support for Cominform action on Yugoslavia was couched in very general terms and that, as reported previously to Dept, comments by Chinese Communist spokesman in Hong Kong were notable mostly for their lack of enthusiasm.

Above comments should hardly be taken as definitive. While present indications suggest their validity, one should not make mistake of underestimating Soviet organizational ability and willingness to make most unscrupulous use of any instruments of coercion available. Whatever primary motivation, it seems hardly open to question now that Soviet purposes would best be served by cessation of hostilities and establishment of a coalition. By same token we are also convinced that coalition from standpoint of US would be worst thing which could happen since in addition to making complete and eventual Communist domination almost certain it would probably get a kind of international sanction to that Communist control.

Sent Dept., repeated Moscow as 54.

STUART

¹⁴ Commander in Chief of Chinese Communist armies in Manchuria.

893.00/7-2748

*Memorandum by the Director of the Office of Far Eastern Affairs
(Butterworth) to the Secretary of State*¹⁵

[WASHINGTON,] July 27, 1948.

Reports from the Embassy at Nanking and from other U. S. official sources indicate an increasing dissatisfaction with the Generalissimo and the present leadership of the National Government on the part of many Chinese provincial leaders and military commanders as well as the Chinese public. These reports indicate that there is a growing feeling among the Chinese people in non-Communist areas that the present Government must go and that many Chinese are reaching the stage where they would be willing to accept a government based on coalition with the Communists or even a Communist government if this would bring peace.

In the military and economic fields the picture is not encouraging. Recent appointments of military commanders by the Generalissimo have been made almost solely on the basis of personal loyalty to him regardless of the known record of venality and incompetence of some of these appointees. General Fu Tso-yi, ranking Government general in the Peiping-Tientsin area, the most successful of all National Government commanders against the Communists, is said to be receiving little or no military matériel from Nanking. Inflation is bringing the currency closer to the point of complete collapse and there have been dangerous increases in the velocity of currency circulation.

Politically, as has been stated by Ambassador Stuart, the present Government lacks capability to halt the spread of communism and will continue to lack this capability unless, as seems unlikely, it can find the inspired leadership needed to rally the people and restore to National armies the will to fight. The Ambassador comments that the Generalissimo cannot be expected to provide that leadership as he seems incapable of change and gives every evidence of an intention to persist in the personal rule which has resulted in the present sad state of affairs.

General Li Tsung-jen, of whom some action toward reform was expected after his election as Vice President, has apparently been ignored by the Generalissimo. He now seems to be waiting for some turn of events which will give him an opportunity to make his influence felt or to take effective action to rally support to his ideas and objectives. Various unconfirmed reports indicate that Marshal Li Chi-shen, Vice President Li Tsung-jen, General Fu Tso-yi and various other provincial leaders in north and west China are cooperating in preparations against the eventuality of a collapse of the Gen-

¹⁵ Marginal notation: "Seen by Secy".

eralissimo's Government. Furthermore, Marshal Li Chi-shen has stated privately that he expects to establish in the near future a coalition government with Communist participation at some unnamed point in China.

These developments are natural in the current situation where the trend is toward regionalism and fragmentation. The breakdown of the National Government's authority spreads as the currency which binds officials and armies to its support moves towards valuelessness and as its ability to furnish food and equipment for the armies is weakened. The breaking point has not yet arrived but it is obviously a possibility which must be contemplated and for which plans must be made.

Given a continuation of the present deterioration, there are several possible developments which might occur: (1) The Generalissimo might be removed from the scene through a *coup d'état* and the question of his successor quickly settled by the legal succession of Vice President Li Tsung-jen. In this eventuality the problem of recognition of a new regime would not arise. (2) Marshal Li Chi-shen may, as he has indicated, establish a provisional government in the near future as a coalition regime with Communist participation. Such action might bring into the open other opposition movements and might thus precipitate, or at least hasten, the collapse of the present Government. (3) In the face of further military deterioration the Generalissimo might be compelled to withdraw from the Nanking-Shanghai area and remove his capital to Canton or to Formosa. (4) If the Generalissimo should withdraw to Canton or Formosa, it is possible that various provincial groups would establish a rival government (or governments), which in turn might seek an accommodation with the Chinese Communists. Such groups might actually control a larger part of China than that under the Generalissimo's control at this stage. They might approach the United States with an appeal for aid, and perhaps recognition, prior to making overtures to the Communists. Failure of the United States to give aid or encouragement of any kind would probably lead to the group's coming to terms with the Communists in a coalition controlling the larger part of China. The alternative to such a coalition might be deals between the Communists and individual provincial leaders, which would eventually lead to Communist absorption of the various provincial elements piecemeal.

Any regime in opposition or succession to the presently constituted Government would be faced with the necessity of recognizing the war weariness of the Chinese people and their desire for peace at almost any price. It should be noted that in several of these hypothetical situations, the United States would be confronted with the complex

problems of relationship with the various regimes established, the application of the aid programs for China, the status of the U. S. military advisory groups, the status of its consular offices in China and the questions of American trade with the various areas.

We have already had some indication of the possible future reaction and attitudes of these provincial elements. In a secret memorandum prepared by Vice President Li Tsung-jen in 1947, a copy of which was received by the Department,¹⁶ he pointed to the possible development of a situation in China where the presently constituted National Government would collapse and there would arise a grouping of various provincial leaders which would need and desire American aid against the Communists. General Fu Tso-yi has already made efforts to purchase munitions from private American sources. General Wang Yao-wu, Governor of Shantung Province, has made overtures to the U. S. Navy authorities at Tsingtao for military matériel.

The present policy of the United States Government restricts the transfer or export from the United States of military matériel to China to the National Government. Admiral Badger in a recent telegram¹⁷ suggested the desirability of making munitions available to General Fu Tso-yi, either through direct transfers or through pressure on the Chinese Government to turn over to General Fu matériel acquired by it under the \$125 million grants. The American Consulate General at Tientsin has made a similar recommendation, based upon the importance of north China and the success General Fu has had against the Communists in contrast to the repeated failures of other National Government commanders.

It is understood that the Policy Planning Staff will in the near future complete its long-term China policy paper.¹⁸ It is recommended, therefore, that upon the completion of this paper the question of United States policy toward China, including the possible developments suggested above, be referred to the National Security Council.

W. W[ALTON] B[UTTERWORTH]

¹⁶ Not printed; the memorandum dated May 25, 1947, was handed to the Consul General at Peiping at the time of his departure from that city, with the request that it be transmitted to the Secretary of State.

¹⁷ No. 8979, July 16, from the Commander of U. S. Naval Forces in the Western Pacific (Badger) to the Chief of Naval Operations (Denfeld), vol. VIII, "U.S. Military Assistance to China" (Ch. II).

¹⁸ Memorandum by the Policy Planning Staff, dated September 7, *ibid.*

893.00/7-2748 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, July 27, 1948—5 p. m.

[Received July 28—10:05 a. m.]

316. Student demonstration inspired by July 5 student slaying Peiping in progress Mukden. Assembly and speeches from municipal govt building to be followed by parades and slogan posting. Some 4,000 students representing 46 groups participating. Assembly calm and orderly. Boy Scouts and few police maintaining order. No troops in evidence. Slogans directed against alleged discrimination against northeast by Govt (alleged desire Govt remove universities and related subsidies from Mukden and impress northeast students into army) and Peiping authorities responsible July 5 incident. Peiping dead mourned. Appears demonstration will remain orderly. This largest student demonstration northeast since VJ Day.

Demonstrations significant chiefly as evidence growing persecution complex civilians Nationalist-held northeast. Complex result chiefly grievances restrictions northeast currency, difficulties maintenance universities Mukden, and general exasperation living conditions Nationalist-held areas, all of which given much publicity recently. Presently does not appear dissatisfaction evidenced these complaints will have serious immediate repercussions. They may influence Govt be more careful in matters pertaining Manchuria.

Sent Nanking 395, repeated Dept 316.

Dept please pass Nanking.

WARD

893.00/7-2848 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, July 28, 1948—10 a. m.

[Received July 28—3:47 a. m.]

318. My telegram 316 yesterday. Students continued parade through city until 1630 hours, without serious incident and with no anti-foreign expression. Marchers orderly but evidenced genuine feeling. Police vicinity demonstrators did not bear arms.

All non-military rail traffic Mukden area halted yesterday morning by strike, workers demanded food allowance equal that railway workers in intramural China and immediate payment wages in arrears. No violence. Demands accepted early today and traffic resumed.

Sent Nanking 399; repeated Department 318.

WARD

893.00E/7-2848

The Ambassador in China (Stuart) to the Department of State

No. 324

NANKING, July 28, 1948

[Received August 23.]

Subject: Organization of the North China Bureau of the Chinese Communist Party's Central Committee.

The Ambassador has the honor to enclose for the information of the Department the text of an editorial¹⁹ published in the broadcasts of June 20 and 21 of the North Shensi Radio. This text is the editorial which appeared in the first issue dated June 15, 1948 of the *People's Daily* an organ of the North China Bureau of the Central Committee, Chinese Communist Party, and is entitled, "Present Tasks of the North China Liberated Areas." The editorial is of interest because it announces the consolidation of the two former liberated border areas into what is now called the North China Bureau of the Central Committee of the Chinese Communist Party. These two border areas are the Shansi, Hopeh, Shantung, Honan and the Shansi, Chahar, Hopeh border areas, which were two of the principal Communist political divisions during the war against Japan. At the same time the two military areas concerned have been merged to form the North China Military Area of the People's Liberation Army. This new administrative and political area, as far as can be determined, includes all North China over which the Chinese Communists exercise fairly cohesive and well established authority. It is an area in which the National Government exercises authority only in a few scattered and isolated urban centers.

Although in the past there has of course been a certain amount of direction and guidance from ranking Chinese Communist leaders, many of the sections of this area, for operational purposes at least, have operated in a largely autonomous fashion. This new development would therefore suggest an attempt to consolidate the entire region into one functioning area. Announcement of the new administration has been followed by an intensification of military activities wherever there has been opposition with the consequent narrowing of areas under National Government control. It seems not unreasonable to assume that one of the primary objectives will be the elimination of Nationalist control from the entire area.

Organization of the Bureau inevitably raises the question as to its relationship to Manchuria. There is increasing evidence that the North China Communists exercise little if any control over Manchuria. This can be partly attributed to the difficulties of communication but

¹⁹ Not printed.

it also seems not unlikely that between the two groups there may exist serious differences over strategy as well as interpretation of ideology. Necessarily Manchuria has more direct ties with the Soviet Union, is of more immediate interest and is more directly governed by Kremlin stooges. In distinction North China is more remote, is of relatively less interest and is under the control and direction of individuals whose background, training and inclinations make them tend more in the direction of Chinese traditional nationalism than is true of the Manchurian Communists. It may of course well be that in the organization of these two large administrative areas the Soviets are following a pattern of political control which was used by the Japanese during their occupation. Two reasons for this suggest themselves: the first reason is the demands of an immediate strategic and tactical situation whereby control develops in stages. The second reason may be a long range Soviet fear of an inherent Chinese nationalism which, once the country has been united, might very well indeed be in a position to eject a barbarian invader. The neutralizer to this danger would be the division of China into regional areas and the fostering of regional antipathies and rivalries to keep China as a whole weak, which would greatly facilitate the problems of Soviet control. The other possibility is that North China Communists are consolidating their position to resist the encroachments of the Russian dominated Manchurian influence. If the North China Communists fear this influence it is a factor which we should be able to exploit to our own advantage.

893.00/7-2948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, July 29, 1948—noon.

[Received July 30—11:42 a. m.]

320. Turbulent emotion northeasterners over July 5 shooting northeast students Peiping giving way to considered resentment against Government with unconcealed airing northeastern grievances past 2 years against graft, corruption, maladministration and highhandedness. Hitherto very reliable, well informed, highly respected source, who desires identity not be divulged for moment and on whose statements much of following is based, states no animosity felt by either students or northeasterners towards Fu Tso-yi in whose area shooting occurred or towards Li Tsung-jen who was in Peiping at time incident. Northeasterners convinced Fu had previously issued direct orders prohibiting violence against any such demonstration. Northeasterners claim have information bloody incident was instigated by

Government group to embarrass both Fu and Li. Predicating their actions on this assumption, determined group northeastern leaders exemplifying attitude of vast majority northeasterners toward Government now pressing demands punishment persons responsible. Wei Li-huang transmitted request to Nanking for information concerning incident soon after occurrence. No reply received. On or about July 20 Wei wired urgently to Generalissimo requesting action be taken investigate matter and mete out punishment to guilty. Told Generalissimo unfavorable reaction growing in northeast and unless immediate conciliatory action taken serious consequences could be expected. At same time Wei sent northeasterner, chief of his staff, to Nanking to press for investigation and punishment. No reply received to wire and Wei's delegate received no satisfaction.

Northeasters then advised Nanking unless action taken by August 1, northeast would establish "emancipated regional government" and would consider itself no longer politically dependent on Nanking. On July 26 Wei dispatched third urgent wire to Nanking requesting immediate answer and assurance of action and advised failure to take action could result in open rebellion northeast. No answer received to date. Northeasters presently determined, unless Government acts by August 1, abolish subservience to Government, remove all non-desirable civil officials in northeast and replace with locally appointed northeasterners. Wei considerably disturbed over turn events. Has been in constant contact with source pleading for additional time receive Government reply. Source states northeasterners adamant on present schedule. Student and labor demonstrations planned. Representatives 100,000 laborers called on source and assured him their cooperation. Desired take immediate action but were dissuaded. Local students and instructors following same procedure. Source stated matter became prematurely out hand July 27 when orderly student demonstration and rail strike took place. While northeasterners professing hope Government will take action on Peiping incident, it may be "emancipation movement" has snowballed beyond point of arrest.

In reply query whether northeasterners had completely considered effect such move their part pertaining (1) necessity issuance new currency, (2) possible cessation airlift food supplies and (3) possibility withdrawal Government troops Manchuria and Communist occupation all northeast, source minimized importance first two points. Stated Government currency now not worth paper on which printed and new currency to be issued by emancipated regime will be based on confidence in administrators much more competent than present. Emancipated regime will issue own fiat money and, in absence of foreign trade, foreign exchange value of no immediate consequence.

(He disregards need foreign exchange, now paid by Nanking, for chartered airlifts to northeast.) Source stated food stocks and anticipated harvest sufficient carry northeast through coming winter and improved morale and military potentialities could relieve situation during next year. (This contention so far food supply concerned is highly debatable.) Third point considered most serious, but northeasterners have no intent interfere with military. Will do all possible, including recruiting and training 200,000 local militia, enhance present Government military strength northeast. Source does not believe Government will withdraw troops because such action would immediately open door for Communist invasion north China and ultimately central and south China.

Source stated his basic reason not believing emancipated regime would disadvantageously affect present situation northeast except advantageously for China is that it is impossible for Government (by Government he means Generalissimo) maintain military power beyond two months hence. Believes Generalissimo political power solely dependent on military strength and once this latter removed his political power will crumble. Source, close friend Fu and Li, states believes Li will inaugurate regional government move north China near future. Military strength will be supplied by Fu Tso-yi, Wang Yao-wu, and Pai Chung-hsi. When queried as to part Wei Li-huang will play such move and whether or not he would remain loyal Generalissimo in event such move by Li, source simply stated: "Wei very sympathetic to Fu." In discussing present authorized aid China, source sought information as to America's attitude toward such regional moves. Was advised no US policy has been enunciated and consequently not in position discuss. Source stated that present Kmt regime in China doomed to failure and early demise and that US friends of China should be prepared seize opportunity about to be afforded by regional regime to maintain territorial inside [*integrity?*] China, failing which land and people of China can pass into Communist orbit. He stressed that American aid should be allocated to China by regions and not in lump to Government for disposal in its discretion and that unless some radical improvement occurred in Government immediately (he stated considerable pressure being brought on Generalissimo take long rest in US) Government would not be in position to attempt equitable allocation of aid when received. Also stated any independent move by Li or northeasterners would carry on present plans remove Communism of Soviet ilk in China and that had reason believe rumors reported meeting Fu, Li, and Chou En-lai not groundless. Not altogether inconceivable some type truce may be arranged north China areas which would permit Communists center attacks on central and south China. Credence is lent this

statement by reliable report received from recently recaptured Liao-yang to effect that Communist propaganda has of late been almost as acidly anti-Soviet as anti-American (widespread rumor, believed have no foundation whatsoever, being circulated Communist areas [to] effect Mao Tse-tung seized by Soviets and taken across border as result repeated refusal comply recent Soviet demands partial administrative control presently occupied Communist holdings).

Wei undoubtedly fully aware of August 1 plans, but absence Mukden construction any barricades or other form street defenses indicates movement will not be opposed by military action. Wei evidently sufficiently realistic recognize hostilities between dissident northeasterners and military would prove suicidal to both sides under present Communist threat to Mukden.

Even though threatened northeast break-away does not materialize August 1, which is possibility, degree to which it has been planned and is now being discussed is highly indicative of low esteem in which local leaders hold Nanking Government. Should spark not catch fire, present discussions will in all likelihood weld local dissidents into closer group and embolden them in future pursuit of rectification northeast grievances. If credence can be given recent whisperings of imminence regional break-aways from Nanking Government in China proper, declaration of emancipated regime in northeast may prove signal for similar occurrences elsewhere.

If danger of creating an opportunity Waico [*which?*] may be seized and exploited by Communists in dismembering China is to be obviated, and we have not already formulated policy regarding our attitude toward support of regional groups which are loyal to China but which nevertheless divest themselves of subservience to present Nanking regime, time has come when formulation such policy can no longer be safely delayed.

Sent Nanking 405, repeated Department 320. Department pass Nanking.

WARD

893.00/7-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 30, 1948—3 p. m.

[Received July 30—11:14 a. m.]

1391. On July 29 Dr. S. A. Trone²⁰ reported to me the substance of two lengthy conversations he had recently with the Soviet Ambassador which may be briefly summarized as follows:

He knew that I wanted peace in China because of my interest in

²⁰ American industrial adviser to the Central Bank of China.

people. For the same reason he wanted peace here. His Government wanted peace in China because they were fundamentally interested in human welfare and also because the continuation of civil strife in China meant the aggravation of the danger of war. Russia needed peace. Russia desired peace in China as an important factor in world peace. He believed that Chinese Communists sought peace because they were realists and the lengthening of the war made the ultimate solution and economic recovery alike more difficult. In their own way they too were primarily interested in the sufferings of the common people. Chiang Kai-shek on the other hand was chiefly concerned to maintain his own power and did not, therefore, want a settlement that reduced his power either by a coalition or by territorial division. American aid tended only to a futile lengthening of the struggle. The approach by either Kmt or CP to the other ought not to be difficult in view of all the available contacts in Hong Kong, Shanghai, Peiping, et cetera. Neither Russian nor American nor the two jointly ought to take any part. It had best be a purely Chinese agreement. But he stood ready to help if he could be of any use. The essential thing for both Kmt and CP was sincerity.

STUART

893.00/7-3048

The Ambassador in China (Stuart) to the Secretary of State

No. 330

NANKING, July 30, 1948.

[Received August 12.]

SIR: I have the honor to comment on possible solutions for the Communist problem in China, more especially from the standpoint of the welfare of the Chinese people.

It seems now more apparent than ever that *neither side can secure a decisive military victory*. Even though the Central Government should collapse or disintegrate into regional units, there is enough anti-Communist sentiment to keep large areas at least in long-continued turmoil. Nor is it probable that the Communists themselves are eager to take over the administration of this huge country in the near future. As they insisted when you were here, the Chinese people are not prepared as yet for Communism nor do they have enough trained personnel for the task.

The whole nation is anxious for peace at almost any price. Among the more politically conscious there is not much to choose between the two parties, for among a rapidly increasing number the Kmt seems more selfish, corrupt and incompetent. Granted that this is in part the natural dissatisfaction with the party in power, there is no lack of evidence in support of their contention. The mood of despondency

or discontent is penetrating steadily into all circles of the Government and the troops. The indomitable will-power of President Chiang and such measure of aid as we have already given or they look forward to hereafter are perhaps the principal factors in keeping up the struggle.

The basic issue is economic—or more broadly one of human welfare—rather than political. This has of course always been true of the masses. It is becoming more true of the intellectuals, including the students. It is probably more of a concern to the Communist leaders than is generally assumed. They are doubtless aware that forcible redistribution of farming land is not enough and that there must be increased industrialization and mechanization even in agriculture. They are already changing their tactics in an effort to win the local merchants and small-scale factory owners and even the capitalist and industrialists in the big cities.

Assuming that before very long the pressure for some form of negotiated peace becomes too strong to resist, what from the standpoint of a reasonably intelligent and patriotic Chinese would be the best—or the least undesirable—solution? There seem to be only two possible ones. For the idea of political parties, each with full rights and privileges, is one that the Communists could scarcely be expected under existing conditions to consider. There remain therefore a coalition, or a territorial division with some symbol of national unity. Quite possibly the actual result will be a fusion of the two. If one of these agreed-upon settlements is the only alternative to interminable political confusion and economic misery would it not be preferable—again from the standpoint of the typical Chinese citizen—to accomplish this without delay?

The Communists are supposed to wish to continue the conflict since they are winning and can be expected to secure a greater advantage in the final settlement. But even they must be disturbed over the problems of rehabilitation and the odium they will incur in proportion as they assume control and find themselves in turn unable to give a better livelihood. The present leaders of the Government have no reliance except on us now and in the future. In view of a possible change in our own Administration it would seem desirable to adapt our China policy to these latest developments so as to maintain a maximum of continuity.

We can be quite certain that no amount of military advice or matériel from us will bring unity and peace to China unless indeed there are reforms sufficiently drastic to win back popular confidence and esteem. That these could even be attempted by those now in power or that the improvements could be rapid and radical enough to reverse the prevailing attitude is scarcely to be hoped for. But with-

out this assurance the intention to give increased military aid ought to be carefully considered in all its implications. Even under the most hopeful conditions such aid would probably require some two years or more from next January to accomplish its objective in view of the basic necessity of training new divisions and of recovering lost territory and morale.

Whatever our present opinion about a coalition government may be, would it not be the part of foresighted statemanship to be considering the advisability of extending military and economic aid to the new government on terms that would tend to obviate the dangers we fear in a Communist coalition? The military aid would naturally follow the pattern of the original P. C. C. proposals and include the reorganization and demobilization of all the armed forces without which there can be no hope of political stability nor economic recovery. The economic aid would include reconstruction projects which with peace achieved could largely be on a loan basis. If the present Rural Reconstruction Program²¹ develops as fruitfully as many of us hope it will, it would be another form of economic benefit reinforced by training for citizenship and other educational values. We might impose conditions such as those already guaranteed in the existing Constitution regarding free speech, free elections, etc., and carry on a vigorous publicity campaign, all aimed at neutralizing Communist attempts at minority control. The ultimate solution might well be independent political parties contesting by democratic processes for their respective policies.

The substance of all this argument is that if we Americans wish to continue to have an active part in influencing the course of Chinese political development this could be either one of the two rather sharply contrasted alternatives of perpetuating the present Government through increased military assistance hoping that this will produce the needed reforms, or assisting whatever national government or loosely federated regional ones may emerge from the present conflict by reconstructive processes calculated to produce economic betterment together with consequent contentment and more normal mental attitudes.

Respectfully yours,

J. LEIGHTON STUART

²¹ For correspondence, see vol. VIII, "U.S. Economic Aid to China" (Ch. III).

893.00/7-3048

Memorandum by the Consul at Tsingtao (Strong) ²²

[TSINGTAO,] July 30, 1948.

The following information regarding the loss by the Nationalists of Yenchowfu, in Western Shantung on the Tsinp'u Railway between Tsinan and Hsuechow, was obtained from American and other foreign missionaries who were present at Yenchowfu during the siege. Their reports, received separately, agree on the events leading up to the capture of the city by the Communists, on the behavior of the Nationalists, and on the situation prevailing for a few days thereafter.

The first threat against the city apparently developed about June 4. At that time a small amount of firing of small arms could occasionally be heard. Certain of the missionaries sent through a request to the Lutheran Mission in Shanghai for evacuation by that Mission's plane. They thereupon took up residence near the airfield and waited until June 11 for the arrival of the aircraft. Later they learned that as a result of the reports by General Li Yu-tang, Commander of the 10th Pacification Area, concerning the "heavy fighting" in the vicinity of the airfield, apparently the Chinese Air Force refused permission for the plane to land. On June 11 one small shell fell on the airfield and some small arms firing was heard, not in volume, whereupon the garrison at the airfield hastily packed up all its arms and equipment, loaded them on trucks, and fled in disorder into the walled city. From June 11 until the evening of July 12 there was little serious fighting although each night the Nationalist defenders consumed considerable quantities of ammunition shooting at what appeared to be very small numbers of Communists using harassing tactics without seriously attempting to attack the city.

The defending forces consisted primarily of the 12th Army commanded by Ho Shou-yi and certain local troops. The numbers of men in each of these organizations is not accurately known although the observers stated that the city was crowded with soldiers. The relationship between General Li and General Ho was apparently very poor. General Ho gave the impression of being a much more reliable man than General Li and he was active in attempting to assure the internal security of Yenchowfu. For example, General Ho arrested the Staff Secretary of General Li and proved by documents found on him that he had a very close connection with the Communists. He also executed many other persons found guilty of activity on behalf of the Communists. At the beginning of the siege General Li made

²² Copy transmitted to the Department by the Consul without covering despatch; received August 24.

no pretense of attempting to direct military action against the Communists and during any firing by the Communists he took refuge in the basement of the dwelling in the Catholic Mission in which he maintained his headquarters.

Although his troops were expending ammunition uselessly, General Li continually informed Nanking that serious fighting was in progress and that he was running short of ammunition and food. On June 20 four Nationalist planes air-dropped 45 parachutes of ammunition per plane (probably over six tons total) and that night the Nationalists seemed to shoot it up more freely than before. From June 20 to July 12 an average of at least five planes per day dropped supplies of food, ammunition, and money to the garrison, and even continued dropping it on July 13 and 14 after the city had been abandoned.

Fighter aircraft occasionally made an appearance over the city and bombed and strafed without any coordination from the ground and with practically no effect whatsoever. After the Nationalists left the city the CAF²³ bombed and destroyed the Catholic Cathedral and press. During the siege CAF planes occasionally dropped flares at night, but usually over the city and not where they might have done some good.

During the period of the K'aifeng campaign the bulk of the Communists appeared to have left the vicinity of Yenchowfu and the situation for several days was quiet. At 5:30 p. m., July 12, the Communists started a heavy artillery barrage with an estimated twenty-five guns of 75 caliber, and in two hours or so it created a small breach in the wall to the southwest. The local troops had been placed in the outer defenses, on the theory that "they had more reason to fight". At 8 p. m. General Li called Nanking by radio in the presence of several Catholic priests and reported intense fighting, half the city in flames, et cetera, and that food, ammunition and money were desperately needed. By midnight some 30 Communists had gotten inside the city and found little organized resistance remaining. The Nationalist troops fled in all directions seeking only to save themselves individually, throwing away their weapons and failing to destroy any of the stocks of ammunition and other supplies which had been accumulated prior to and with the aid of the air-drops. General Li was one of the first to leave, disguising himself as a beggar, making his way to Tsining and then by boat to Hsuchow. From there he flew to Nanking, doubtless to report on, and receive honors for his valiant defense. General Ho evacuated in slightly better form, taking with him a fairly sizable group of troops and joining General Wang Yao-wu's 84th Division then at T'aian.

²³ Chinese Air Force.

It is reported that at no time did the Communists have more than 300 troops inside the city walls past the militia. Only one real fight occurred either outside or inside the city, when a group of about 50 militia men attacked a smaller group of Communists near the Catholic Mission, hoping thereby to attract to them others of the defenders, and to enable them to attempt to throw the small group of Communists out and continue to hold the city. However, this occurred between 8 a. m. and 11 a. m. in the morning of July 13, by which time the city had been almost completely abandoned both by soldiers and civilians. The militia men thereupon gave up their effort and made their escape.

During the so-called siege of Yenchowfu the garrison at Tsining apparently made no effort to support the troops at Yenchowfu, and approximately two days after the fall of Yenchowfu evacuated the city to the south without having a shot fired against them.

The Communists, using only their small group of soldiers inside the city, immediately began removing by truck the stocks of ammunition, food, and other supplies, which they found undamaged. One observer stated that she saw sixty truckloads removed from the city and that that was only a portion of what was taken out. The Communists seemed to be thoroughly organized. Each appeared to know exactly what he was expected to do. There were no moves made against either the foreigners or the remaining Chinese in the city. In fact the Catholic fathers were treated far better by the Communists than by General Li, who frequently was very unpleasant to them although he was accepting their hospitality. The Catholic and Protestant Missionaries approached the Communist Commander on July 14 to obtain permission to leave Yenchowfu for Shanghai. The permits were granted to all except the Nuns, believed to be twenty in number, on July 16, the day before the expected arrival of Communist Political Administrators for the city, and the priests were advised that they had better get out while the getting out was good before these officials took up their duties. The Nuns were required to stay in Yenchowfu to keep the Catholic hospital in operation. The Commander stated that he was granting some permits in order that foreigners might go to Shanghai and there report that the Communists were not so bad as they had been made out to be, and to state that they, the Communists, would be in Shanghai within one year, and that the foreign population need not be concerned since it would be well treated. At least one Japanese was seen in the Communist Commander's Headquarters. The commander also stated that before the fall of Yenchowfu his particular forces had lacked only ammunition, that they were well organized, well disciplined, and in ample numbers. Now he declared the supplies captured in Yenchowfu would enable his force to attack any city in China with the assurance that it would fall to them. He declared that their next targets were Tsinan and Hsuechow. As a

revealing sidelight he claimed that until the final attack only some 25 men had been employed each night to keep the Nationalist defenders on the walls stirred up and that they had used practically no ammunition, employing a type of cartridge which explodes in the air and gives the impression to the enemy that a rifle was fired at him in his near vicinity. An interesting commentary is that about half of the Communist artillery shells which were observed failed to detonate.

The missionaries left Yenchowfu on July 17 and arrived in Linch'eng, to the south, on the noon of July 20. En route they passed many deserted villages, many small groups of Communist troops, and large numbers of Nationalist troops who having been disarmed were being allowed by the Communists to return to their homes in Nationalist territory. Some of these Nationalist soldiers had even been given money by the Communists to provide subsistence for them on their journey. The Tsinp'u line was torn up between Yenchowfu and Linch'eng. At one village en route they found that the riffraff who had joined the Communist civil authorities had a free hand to do as they wished and were robbing the people at will. The missionaries were not molested at all during their journey by cart through Communist territory. On the trip they exchanged Chinese National currency for Communist currency at the rate of Communist \$500 to CN \$120,000. At the time they reached the last Communist post immediately outside the walls of Linch'eng, their baggage was not searched and they were allowed to proceed into the Nationalist lines without formality. The Nationalist lines were, as they described them, practically only a few paces from the Communist post. In Linch'eng they were placed aboard a train which had just transported considerable quantities of ammunition to that city. They were informed by residents there that the Nationalists were building up large stocks in Linch'eng and it was the general feeling that they were being accumulated solely to provide their enemies with a new supply in the not too distant future. One long train reached Linch'eng daily.

In Hsuehchow they found that the railway to the south had been cut and having no desire to be caught again, they booked air passage immediately to Shanghai. While in Hsuehchow they learned from persons who had fled from Lin-i (Ichowfu) in South Shantung, that Lin-i had been taken by the Communists without a fight after the Garrison Commander had required the people to tear down their homes and places of business adjacent to the city walls in order that they might not provide the Communists with cover during an assault. Despite these precautions the city was evacuated and the Communists were able to move in unopposed. The whereabouts of the garrison of Lin-i, which amounted to at least 10,000 troops, is unknown. They also learned that the only rail traffic out of Hsuehchow is to Linch'eng, 25 miles to the north.

The missionaries reported that there had for some time been no will on the part of the Nationalist Garrison at Yenchowfu to fight. They believed apparently the propaganda issued by the Communists that they were fighting a war for the United States against the Soviet Union. The population, on the other hand, though not necessarily enamored of the idea of Communist control, felt that it had nothing to gain under the Nationalists and might well receive more consideration from the Communists. For several months during the spring and summer there were many deaths from starvation as a result of the requirement by the Nationalists that each 15 families provide three tons of wheat for the Garrison. It was practically impossible to supply this amount without stripping themselves of a means of existence. One of the ironies of the whole episode was that a number of people were killed by bags of rice which were dropped into the city without parachutes.

That the failure of the Nationalist forces at Kaifeng, Yenchowfu, and Lin-i, to make any defense against the Communists will be repeated time after time during the coming months must be assumed, with a snowballing effect. The Nationalist garrison at Yenchowfu, before the arrival of besieging Communist forces, made no attempt whatsoever to carry out training or maneuvers. The men were allowed to occupy themselves all day as they would. As a result they did not know what their tasks were or how to perform them. There was no coordination established between units. In addition, the Nationalist forces lacked communications equipment and it was, therefore, impossible for the Commander, even if he so wished, to keep properly in touch with his various units. This situation is probably the same in other areas in central and north China and is in contrast to the apparently excellent organization and morale of the regular Communist troops. One of the informants stated that a number of other smaller district seats in Shantung have fallen in a similar fashion without creating the deep impression made by the manner of loss of the larger cities named.

One of the informants stated that the head of the Presbyterian Mission in Hsuehchow had been told quite "unashamedly" by a high Nationalist Army Officer that the troops had no intention of defending Hsuehchow against the Communists if the Communists appeared stronger than the defending forces.

Under the circumstances the prospects of a successful defense of Tsinan and Hsuehchow is very slight, and the creation of an offensive frame of mind in Nationalist commanders and troops is practically hopeless.

ROBERT C. STRONG

893.00/7-3148 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, July 31, 1948.

[Received August 2—5:06 a. m.]

321. Chief [of] Executive Yuan²⁴ has wired Mukden mayor²⁵ following instructions issued by Government regarding settlement July 5 shooting northeast students in Peiping.

(1) Ministry Education has sent representatives Peiping establish provisional middle schools, colleges and make up classes and to provide classes, food and lodging all northeastern refugee students now Peiping area.

(2) Peiping municipality responsible proper burial dead. All hospital and medical expenses [of] wounded to be borne by Peiping municipality. Family each student killed granted 1 billion CNC, severely injured students to be granted one-half billion CNC and less seriously injured to receive one-fourth billion CNC and

(3) Investigation committee established investigate facts and locate responsibility for act.

Similar telegram received by Wang Hua-yi, Chairman Northeast People's Association in protest against the July 5 incident, from northeastern members Control Yuan. Northeast People's Association now meeting decide whether or not Government action satisfactory. After reaching decision representative this committee will meet with local political officials to present their decision and discuss cancellation mass demonstration called for August 1. Even if demonstration occurs, no definite move towards political emancipation by the northeastern leaders planned until August 15. Every precaution being taken by local leaders make certain no untoward incident happens should the demonstration occur as scheduled. Shops will be closed, automobiles removed from streets, all armed soldiers withdrawn from areas in which demonstration will occur and all police and soldiers remaining within area will be unarmed. Neither Chinese nor foreigners anticipate any violence.

Sent Nanking 406; repeated Department 321.

WARD

893.00/8-148 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, August 1, 1948.

[Received August 2—7:30 a. m.]

323. Mass demonstration against July 5th Peiping shooting northeastern students planned for August 1 postponed last evening by

²⁴ Wong Wen-hao.

²⁵ Tung Wen-chi.

leaders until August 19 to allow Government additional time implement redresses in numerous telegrams received here yesterday by Chinese officials. Curfew in force until 1100 hours today and armed guards posted prevent trouble home and outside inspired elements from creating incident which could reflect unfavorably on northeastern group. City quiet and no hint any disturbance thus far.

Sent Nanking as 407, repeated Department as 323, Peiping 168.

WARD

893.00/8-248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 2, 1948—6 p. m.

[Received August 2—4:23 p. m.]

1409. Generalissimo informs me there is violent argument taking place regarding reorganization Kmt. Many favor Hu Shih's²⁶ suggestion that party be allowed to separate into its various cliques, thus bringing about normal and practical birth of different parties. Generalissimo, while seeming to favor such development, said opposition was so strong as probably to prevent it. There was determined and powerful advocacy of retaining Kuomintang as the one Chinese political party, all seeking protection as members of one powerful party, rather than taking a chance as independents.

Foreign Minister²⁷ just returned from visit with Generalissimo at Mokanshan, informs me that final approval of drastic economic reform program impends and that, although he must maintain secrecy as to details for moment, he anticipates program can be published within next 10 days.

STUART

893.00B/8-448 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 4, 1948.

[Received August 11—12:53 p. m.]

A-202. Following article was published in the Central News Agency's English *Bulletin* on July 28, 1948:

"Dr. Wong Wen-hao, President of the Executive Yuan, in a statement tonight branded the Chinese Communists as a unit of the Communist International.

"Every move and propaganda policy adopted by the Chinese Com-

²⁶ Chancellor of National Peking University (Peita).

²⁷ Wang Shih-chieh.

munists, he said, are only echoes of the Communist International. Sufficient evidence of this can be seen in the recent Chinese Communist endorsement of the Cominform's excommunication of the Yugoslavian Communist Party issued on July 10.

"The statement issued by the Cominform last October, the Premier said, acknowledged the fact that only 9 of the eastern European states were involved with no mention whatever of participation by the Chinese Communist Party. However, the Chinese Communist Party's statement endorsing the action taken against the Yugoslavian Communist Party is proof that the Communist International holds extensive control over the Chinese Communist Party.

"Originally, the Chinese Communist Party, the Premier added, was a branch of the Communist International and members of the party were required to pay allegiance to the International and execute its policies. Therefore, it is not strange that the endorsement of the Cominform's actions by the Chinese Communists was a step further toward tightening discipline over members of the party.

"The Cominform in taking action against Yugoslavia stressed that she was guilty of acts against the party which is further proof that the Communists are engaged in an ideological battle of lies. The Premier said that Yugoslavia was accused of (1) furthering nationalism, (2) tolerating capitalists, farmers and workers as representing the people in the government, (3) allowing private ownership and sale of land, and (4) allowing private economy.

"The fact that the Chinese Communist Party accepted these accusations is clear proof that their advocacy for the protection of industry and business enterprises is mere propaganda. It also brings out the fact that the actual policies of the Communist International are in conflict with those of the Chinese Communist Party.

"The statement issued by the Cominform last year, the Premier said, was also aimed at the American aid program in an attempt to bring about its failure. The Chinese Communist Party naturally followed this policy. Therefore, as the administrator of the American aid program was about to leave the United States for China, he said, there arose a series of anti-American movements. These incidents definitely were not the general sentiment of the people, but were instigated by Communist agents in a follow-up of the Communist policy throughout the world, he continued.

"Within the past 50 years, the Premier said, China, under the leadership of Dr. Sun Yat-sen and President Chiang Kai-shek, has never for a moment paused to strive for national unity, freedom and equality. The Communists, on the other hand, launched a program of deceit, destruction and the overthrow of the government.

"Dr. Wong reiterated that it is imperative that we view the Chinese Communists in the light of a sub-organization operating under the Communist International. The Premier made clear that the task of Communist suppression now being carried on is neither a struggle between two parties nor a civil war, but a struggle against the destruction of human rights and national sovereignty brought about by the Communists under the leadership of international Communism.

"The Premier, in conclusion, urged for a clear and concise appraisal of the situation and to work toward the righteous path of national salvation and reconstruction."

STUART

893.00B/8-448 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 4, 1948.

[Received August 17—3 : 49 p. m.]

A-203. Reference is made to Embassy's Airgram 202 of August 3 [4], 1948 which contained the text of a recent statement by the Prime Minister on the attitude of the Chinese Communists toward the Cominform action on Yugoslavia. The Department may be interested in the antecedence of this statement as well as some of its preliminary consequences because they throw some light on the dilemma in which the Chinese Government believes it finds itself vis-à-vis the Soviet Union.

As has been reported to the Department previously, it occurred to the Embassy that Cominform action on Yugoslavia could well be exploited in China for the benefit of the Chinese Communists and of the non-Communist left and liberal groups as an object lesson of what happened to all of those who had the temerity to oppose the will of the Kremlin. It is believed that the Yugoslavia affair was all the more pertinent for China because the Chinese Communists in recent months have been guilty of precisely those sins for which Tito is being attacked.

During one of his calls on the Generalissimo the Ambassador took occasion to explain the foregoing to him in as much as there had been no particularly relevant comment on Yugoslavia in the Chinese press. The Generalissimo immediately expressed interest and said he would have Dr. Li Wei-kuo, formerly Kmt Minister of Propaganda and presently Secretary General of the Executive Yuan, discuss the question in more detail with the Embassy. Two days later Dr. Li did call, obviously reflecting the interest which had been shown by the Generalissimo. Shortly thereafter largely identical editorials which

have elsewhere been reported to the Department²⁸ appeared in all official and semi-official papers. The public reaction to the line adopted by the Government appears to have been so far favorable.

In the meantime the Generalissimo conceived the idea of making the statement himself. This was drafted by T'ao Hsi-sheng, his ghost writer, with revisions made by the Generalissimo. He was however persuaded against broadcasting the statement himself on grounds that this would make it too official. It was then agreed that General Ho Ying-chin should issue it, but General Ho demurred stating that this was a political rather than a military matter. It was finally decided that the Prime Minister would issue the statement. At no time was the Foreign Minister consulted nor was he even aware of it until it was published. When it was brought to his attention he was furious and informed the Generalissimo that the statement reversed his whole policy of conciliating the Soviets which had been approved by the Generalissimo and that therefore there was nothing for him to do except resign. He was at once summoned to Mokanshan where the Generalissimo was enjoying a brief vacation. His resignation has apparently been refused but there is as yet no indication as to how the seeming discrepancy in policy has been resolved, except for a brief statement to the press by the Prime Minister saying there had been no change of policy.

893.00/8-548 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, August 5, 1948—2 p. m.

[Received August 6—5:48 a. m.]

330. Personal representative Generalissimo arrived Mukden 2nd August discuss July 5 Peiping shooting Northeast students with Northeastern leaders. Representative instructed by Generalissimo effect amicable settlement and given plenipotentiary cover [*power?*] that end. Friendly agreement reached here and representative departed Mukden 4 August for Peiping to inaugurate action agreed upon. Northeasterners satisfied and their leaders state will be neither demonstration on August 15 as planned nor further moves for present toward political emancipation. Representative asked Northeasterners whether other grievances entertained and when informed thereof promise discuss with Generalissimo personally.

Source, who desires identity remain unknown, has been summoned Peiping by Fu Tso-yi to draw up economic plan for unifying economies

²⁸ For example, telegrams Nos. 1555 and 1660, July 12 and 23, respectively, from the Consul General at Shanghai, neither printed.

North China and Northeast. Because source not member local govt here, his meeting with Fu enhances belief existing many circles here, including Consulate General, independent group China centering around Li Tsung-jen now laying basic plans step in and assume control present Chinese Govt should Nanking falter or collapse.

Source need [*did?*] not indicate time schedule such move but information given by him indicates plans now in advanced stage. Plan for military and political control will center around Li Tsung-jen with regional control in Central China given to Pai Chung-hsi, in North China to Fu Tso-yi and in the Northeast, his first step will be to release the young Marshal ^{28a} and return him northeast. When such action taken, Wei Li-huang expected resign his position as Commander of the Northeast Bandit Suppression Headquarters, retire from active duty and leave Northeast.

When queried as to whether or not such move would open Northeast to Communists, source stated Northeastern Communists generally divided into three groups. One group, with Li Li-san as political leader and one Tsao as military leader, takes directives from and works in close cooperation with Moscow. This is small group and for most part situated in areas adjacent Soviet Union. Second and large group is considered the true Chinese Communist group, and, while in sympathy with Communism as exemplified and led by Moscow, maintains an independent attitude in taking directives from Moscow. Political leader of this group Mao Tze-tung and the military leader in Northeast Lin Piao. Third group comprising approximately 80% of entire Communist military power in Northeast, composed of local Northeasterners, former staunch followers of young Marshal, of dubious loyalty to Communism and who are fighting in cooperation with Communists because of hatred for Generalissimo, Central Govt in its political debauchery of Northeast, and Kuomintang. Organization this last group is not close and no recognized leader thereof has emerged. His [*Its*] strength lies in military leaders of its component groups being long time personal friends and source categorically states he is positive should Generalissimo be replaced by Li Tsung-jen this last mentioned group would immediately rally around young Marshal and, in coordination with present Govt sources now in Northeast, rapidly succeed in defeating other two groups Northeastern Communists, thus bringing peace to area and opening way for economic recovery.

Sent Embassy 414; repeated Dept 330. Dept pass Nanking.

WARD

^{28a} Chang Hsueh-liang.

893.00/8-948: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 9, 1948—6 p. m.

[Received August 9—7:44 a. m.]

1465. T. V. Soong²⁹ tells us that he has been endeavoring during his visit here to convince Generalissimo that situation is desperate and that drastic action is required. He has strongly urged that Generalissimo go before Legislative Yuan and demand full extraordinary powers for all-out war effort and if granted by Legislative Yuan then Generalissimo should fire all incompetents regardless of personal relationships and seek to surround himself with most able men regardless of personal relationships. Although T. V. Soong insists that only some such action can save situation, he was not sanguine that Generalissimo was willing or able so to act.

T. V. Soong insists he is not accepting any Nanking post at this stage but continues fully occupied making Kwangtung impregnable. Recent clashes with bandits his area, he said, were the inevitable result of real efforts toward suppression of smuggling.

STUART

123 Patch, Isaac: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 9, 1948—6 p. m.

[Received August 9—7:13 a. m.]

1468. Embassy's immediately following telegram contains text of a proposed statement to the [be] issued in Shanghai by Vice Consul Isaac Patch from Dairen prior to his departure for the US August 11. Embassy believes this statement would serve useful purpose in China and [by?] illustrating Soviet role in Dairen and position of Chinese as well as restrictions imposed on American representatives.

Since Patch leaves Shanghai morning of August 11, Dept's approval of his statement requested.

Sent Dept, repeated Shanghai 711.

STUART

123 Patch, Isaac: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 9, 1948.

[Received August 9—9:14 a. m.]

1469. Isaac Patch, Jr., who for the past 2 years has been American Vice Consul at Dairen and for a part of that time in charge of the

²⁹ Governor of Kwangtung.

office, passed through Shanghai today en route to the US on home leave. Mr. Patch had the following observation to make on his tour in Dairen.

In his judgment economic conditions have improved little in the past 3 years. Shortage[s] of raw materials and capital equipment continue to cause high prices and widespread unemployment.

Relations between the Soviets and Chinese are officially friendly but actually far from cordial. The Kwantung Government officials cooperate faithfully with the Soviet military and civil administration. Indeed their loyalties seem to attach more to the Soviets than the Chinese Communist Party. On lower level, however, the Chinese residents do not respond warmly to Soviet efforts because the Soviets have shown a rather contemptuous attitude towards the Chinese, looking upon them as inferiors.

From Mr. Patch's account it is noteworthy that despite 3 years of Communist administration in Dairen, politically and economically the system has made practically no progress towards even an initial stage of socialism. There has been no new labor legislation worthy of note. Child labor is common. No new hospitals have been constructed. The educational system can boast of no advances except along the line of Marxism indoctrination. There is now an extensive net of labor unions throughout the Dairen area and practically all workers are members. Their membership, however, is not exclusively voluntary since the distribution of food grains is effected by the labor unions and non-members have great difficulty in otherwise obtaining supplies.

The tempo of Marxism indoctrination in Dairen has increased constantly during the past 3 years. Initially such teaching was negligible, but now it is being pursued by all mediums: Schools, newspapers, lectures, radio and demonstrations.

Parallel to this stepped-up tempo have been the increasingly strict controls placed on the movements and freedom of both Chinese and foreigners. Each Chinese family must possess a registration book issued by the police in which is recorded any movement of a member of the family from one town to another. If a member of the family wishes to spend a night away from home, it is necessary for him to register. During the past 6 months more stringent controls have been placed on Chinese wishing to leave the Dairen area. In the summer and fall of 1947 many Chinese departed while permission was still easily obtainable. However, since then progressively stricter controls have been introduced and now permission for immigration can only be procured from the Kwantung police with great difficulty. Now the only Chinese permitted to leave Dairen are those who obtain

temporary permission to travel by junks to neighboring areas for the express purpose of obtaining food.

Similar restrictions have been progressively applied to foreign residents. By now the foreign colony has practically been reduced to Soviet citizens and members of the American Consulate. Despite his consular functions Mr. Patch was permitted to visit the port area only at the time of arrival of American diplomatic couriers. He was denied access to the bathing beaches. Strategically placed road blocks greatly limited the possibilities of traveling in the outskirts of the city and beyond.

Mr. Patch added that the social pressures operating under the present administration are such as effectively to prohibit the establishment of friendships or associations with Chinese citizens and the few remaining foreigners. Indeed the isolation in which the members of the American Consulate live is now almost complete.

Sent Department 1469, repeated Shanghai 712.

STUART

123 [Isaac Patch] : Telegram

The Secretary of State to the Ambassador in China (Stuart) ³⁰

WASHINGTON, August 9, 1948—7 p. m.

1146. ReEmbtels 1468 and 1469, August 9. Dept perceives no objection release proposed statement by Patch with following deletions: Para 3 in entirety; Para 5 in entirety; final sentence of last paragraph. These deletions believed desirable in order avoid causing embarrassment Paddock ³¹ and repercussions Dairen. ³²

This connection request Emb henceforth encode telegrams this nature.

MARSHALL

³⁰ Repeated to the Consul General at Shanghai as No. 1449 on the same date.

³¹ Paul E. Paddock, Jr., Consul at Dairen.

³² The Consul General at Shanghai stated in his telegram No. 1773, August 10, 4 p. m.: "Corrections made in Patch statement as directed. At request of Patch following additional matter also deleted—all of paragraph 2 and sentence in next to last paragraph which said he 'was denied access to the bathing beaches'. Corrected text released."

CHAPTER VI: AUGUST 10-SEPTEMBER 21, 1948

Ambassador Stuart's recommendations for future United States course of action and the Department's reaction; Chinese Government suppression of student demonstrations; formation of local government in North China by Communists; reports concerning Soviet policy in China

893.00/8-1048: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 10, 1948—10 a. m.

[Received August 10—5:37 a. m.]

1472. The situation in China continues to deteriorate and even though there is a faint glimmer of hope the tide continues to run against the Government. Accordingly it is time we believe for us to survey the situation and determine our future course of action.

To summarize briefly:

1. *Military*: The Communists continue to win the civil war. They have retained the initiative with all the advantage given by the offensive and Government troops just do not seem to have the will or the ability to fight. There are many reports of defections to the Communists but none from Communist ranks. Occupying as they do most of North China east of Sian and north of the Yangtze River except for a few scattered urban centers such as Peiping and Tientsin and certain lines of communication, the Communists now appear intent on removing the last vestiges of Government strength from Shantung Province, a prelude possibly to full-scale attack south to Nanking or possibly to an all-out attack on Peiping-Tientsin area. In Central China south of the Yangtze scattered Communist bands operate throughout the countryside creating confusion and disorder with the obvious intent of further weakening the Government and preparing the way for some future large-scale operation. In South China though less active Communist guerrilla units operate more or less at will and the Government has no forces to employ against them.

It is a gloomy picture and one would expect the Government to clutch at any means of improving the situation. Nevertheless it ignores competent military advice and fails to take advantage of military opportunities offered. This is due in large part to the fact that Government and military leadership continue to deteriorate as the Generalissimo³³ selects men on the basis of personal reliability rather than military competence. In the distribution of desperately needed military supplies men of proven military competence such as Fu Tso-yi³⁴ are given low priority and are almost left to fend for

³³ Chiang Kai-shek, President of the Republic of China.

³⁴ Commander in Chief of Bandit Suppression Forces for North China.

themselves. Long contemplated plans for training new armies and replacements are not being implemented or are moving too slowly materially to affect the situation in the coming desperate months. There is an awareness of the desperateness of the military situation yet no evidence of a will or capability to cope with it.

2. *Economic*: The inflationary spiral continues at an accelerated pace. Prices have become astronomical and their rise so rapid that the Government has been unable to print sufficient money to meet day-by-day needs with the result that barter is becoming more and more the rule. Prices increasingly are quoted either in U. S. dollars, silver or gold. In the interior silver dollars are coming back to use. Thus Government has introduced measures to control inflation but the effects have been only temporary and palliative. The fact is that the Government in the absence of assured continuing and massive loans from the U. S. cannot hope to find an answer as long as circumstances require the maintenance of the present military establishment. A renewed and concerted attack on the periphery of the central problem now impends but at best it can only provide a breathing spell.

3. *Psychological*: After years of war and destruction the all-consuming urge of the people today, and this includes both low and high ranking members of the Government and Communist areas as well, is for peace. This urge becomes all the more insistent as most people can see no ray of hope under present conditions. A spirit of defeatism is prevalent throughout the country reaching even men of cabinet rank. Almost without exception there is no longer faith that the present Government can bring a return to even a bearable standard of living without some radical reorganization. With this frame of mind a cessation of hostilities is desired at almost any price. There is an overwhelming desire for peace yet the Generalissimo wants only military victory over the Communists and no one has yet found a way to surmount the Generalissimo's objections and win out to peace.

4. *The Generalissimo himself*: Universally the Generalissimo is criticized for his ineffective leadership and universally no one can suggest any one to take his place. He is the one who holds this vast country together. Without him disintegration seems inevitable yet long experience with him suggests that he is no longer capable of changing and reforming or of discarding inefficient associates in favor of competent ones and unless he can summon the resources to reverse the present trend he will inevitably and in time be discarded. Nevertheless the Generalissimo is a resourceful man and there are signs that he is trying to find a way to continue the fight against the Communists and at the same time prevent a return of the country to regionalism. He has sent former Prime Minister Chang Chun to the north and to the southwest offering regional autonomy in return for

continued allegiance to Nanking and there is reason to believe Chang Chun's trip has not been entirely unproductive of results. There is active and violent agitation for reorganization of the Kmt³⁵ which will permit liberal voices greater weight in Government circles and there is evidence that under Wong Wen-hao³⁶ the Government is making a valiant effort toward economic and financial reform which may be announced shortly. Unless, however, these drastic measures which are contemplated produce a miracle and result in the retention of the Generalissimo and the Kmt in control we may expect to see some kind of an accommodation with the Communists or a regional breakup or a combination of the two. The third possibility seems the most likely.

Even though at present some form of coalition seems most likely we believe that from the standpoint of the United States it would be most undesirable. We say this because the history of coalitions including Communists demonstrates all too clearly Communist ability by political means to take over complete control of the government and in the process to acquire some kind of international recognition. We question whether a Communist government can in the foreseeable future come to full power in all China by means other than coalition. We would recommend therefore that American efforts be designed to prevent the formation of a coalition government and our best means to that end is continued and, if possible, increased support to the present Government. Nevertheless deterioration has already progressed to the verge of collapse and it may already be too late for our support to change the course of events. To assure success we should likely have to involve ourselves in great responsibilities military, economic, political for we should have to undertake the direction of Chinese affairs on a large scale and a scale in fact that would likely involve responsibilities beyond our resources.

Should the march of events therefore as seems most likely result in some kind of accommodation with the Communists, then it is our conviction that our influence should be used to arrange a cessation of hostilities on a basis of a very loose federation with territorial division which would leave as large an area of China as possible with a government or governments free of Communist participation. While it is not impossible that such an accommodation could be made by the Generalissimo himself, it seems more likely that it would be made by regional leaders in the north, southeast, southwest and west China either following the overthrow of the Generalissimo or as one step in the process of his downfall when these regional leaders became convinced that the Nationalist Government was finished. It

³⁵ Kuomintang (Nationalist Party).

³⁶ President of the Chinese Executive Yuan.

would then become incumbent upon us to support such regional groups as we were convinced would continue to struggle against the Communists and could give some promise of being able to maintain themselves in power. Such regional groups might supply a political beachhead from which some day a drive could be made to recover all China for democracy. Who these leaders will be can of course only be determined at the time the development takes place, but it is our conviction that we should be prepared to move quickly should it happen and to encourage whoever might emerge and give promise of effective anti-Communist stand.

If as seems likely the collapse of the present Government should result in a return to regionalism we could expect that such collapse would be followed by a period without hostilities but we could not expect that the mere development of regionalism would of itself cure the economic chaos which exists in China at present. This is precisely the point where we could make our influence felt. If we could strengthen those regional governments economically we could expect the drift toward communism to be checked particularly because there is increasing evidence that all is far from well economically in areas now under Communist control. A period of economic prosperity or even an easing of the economic situation in non-Communist areas should permit basic anti-Communist Chinese characteristics to reassert themselves and correspondingly weaken sympathy for the Communists even in their own areas and might develop that strength in non-Communist areas which in time would permit renewal of hostilities designed to eliminate Communist military strength from China. It would at least provide a breathing spell. Our first and principal problem would be to determine when the moment has arrived when we should shift our support from the present Government to the embryonic regional groups. We believe that moment has not arrived but we believe it quite likely that it may not be far off. Please see our immediately following telegram No. 1473.

STUART

893.00/8-1048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 10, 1948—11 a. m.

[Received August 10—5:14 a. m.]

1473. I have approved the dispatching of the immediately preceding telegram No. 1472 because it represents the unanimous views of the senior officers on my staff. I am in complete agreement with their analysis of the situation as it stands today, but I cannot agree with the conclusions they reach as to the course of action the United States should follow if our analysis proves correct.

It is my belief that if some form of coalition seems most likely it behooves us to consider whether we continue to regard this as to our national interest and whether we should endeavor either to assist or to obstruct its realization. We are already too deeply involved both by moral responsibility for the past and by present commitments to evade the issue. We cannot overlook the history of coalitions with Communists in other countries and their trained ability to dominate by skilled political techniques. We should also not overlook the benefit to the Communists of a coalition government receiving international recognition. But we must also recognize that the present Government or any anti-Communist Chinese combination can scarcely be expected to completely eliminate the Communist menace by military or any other means. The trend is almost entirely in the other direction.

Disintegration into regional units would make our assistance very difficult. Each of these would presumably be created by one or more strong personalities. Assuming that they are genuinely anti-Communist, they would at once be facing acute financial problems which would complicate matters within their own areas and help the increasing Communist infiltration. There would be changes in leadership from natural causes and from political machinations. There would be strong temptations to draw upon our willingness to aid and to use this in bargaining with rivals or even with Communists. The resulting economic and other chaos would aggravate the present discontent or despair and inflame anti-American resentment. Meanwhile the Communists would be utilizing all these circumstances to their own advantage. Of course, if disintegration proves unavoidable and if there could be retained a loose federation with a semblance of central authority we might help to some extent through this nominal central Government.

I believe that if we wish to anticipate this, there would seem to be two alternatives for us:

(1) We could give outright military aid, including advice, to the National Government encouraging a large measure of reform and conditioning further aid upon progress in this. This would involve a much greater intervention in Chinese administrative processes and perhaps very much larger expenditure than would have been necessary before deterioration had reached its present stage. We should be prepared for aroused violent anti-American feelings due to Nationalistic resentment against our interference and its immediate consequences. The Communist issue would be blurred in popular thought and they would, of course, effectively exploit it. Even so, we could probably crush the Communist military strength and secure some sort of settlement, but that would not end our participation.

(2) We could continue to keep the door open for our assistance toward a negotiated peace and in the military reorganization and the economic recovery that should follow. We should condition this upon the

maintenance of certain safeguards to democracy, including freedom of speech, publication, elections, et cetera, the avoidance of minority controls, of secret police and of other totalitarian methods. We can dare to believe that the insidious methods of Communism would be largely neutralized by being thus forced out into the open. More positive advocacy of education for citizenship, cultural interchanges and improved economic livelihood would further help to disseminate democratic ideas and in general accentuate the natural Chinese attraction for what we may modestly describe as our American way of life and China would then be spontaneously and intelligently our ally in any ideological or even more serious conflict.

You can readily see from a comparison of these two telegrams that we are in disagreement over the course which should be followed if a serious break occurs in China. We are agreed, however, that even though the moment of crisis is not here, it is quite likely that it is not far off and we should be prepared to meet it. We would all greatly appreciate an expression of the Department's views in at least general terms on the policy which the United States is likely to follow in the event of a major change. It is, of course, at this particular moment impossible to be precise, but we would appreciate a general indication for our guidance should the situation develop as we see it.

STUART

893.00/8-1048: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 10, 1948—3 p. m.

[Received August 10—7: 10 a. m.]

1476. Following telegram 129, August 6, received from Hong Kong:

"Questioned concerning press accounts contact between Mao Tze-tung³⁷ and Li Chi-shen,³⁸ C. Y. Li³⁹ today asserted: 1. For some weeks Communists exerting strong pressure on Marshal for latter's support of PCC⁴⁰ in liberated areas; 2. Communist broadcast is evidence of significance attached by Communists to Marshal Li and KmtRC; 3. Communists presently negotiating with Marshal concerning possible Communist broadcast soon announcing Communist recognition KmtRC and Communist willingness recognize sincerity Kmt members who support KmtRC despite past reactionary records; 4. During recent visit T. V. Soong⁴¹ held secret talks with Marshal (reported in yesterday's local press) and repeated predictions early collapse Generalissimo; 5. Marshal recently received confidential letter of

³⁷ Chairman of the Central Committee of the Chinese Communist Party.

³⁸ Marshal Li was Chairman of the Kuomintang Revolutionary Committee (KmtRC).

³⁹ Member of the Kuomintang Revolutionary Committee.

⁴⁰ Political Consultative Conference.

⁴¹ Governor of Kwangtung.

support signed by over 100 Peiping intellectuals including Chang Tung-sun.⁴²

While C. Y. Li doubtless overstressing Communist pressure inability of Marshal indefinitely to withstand determined Communist pressure, in present situation is possibility despite his apparent sincere desire to establish provisional government in non-Communist territory and to hold PCC after Generalissimo's fall.

C. Y. Li claimed in strictest confidence that support of Li ^{42a} and Pai ⁴³ now assured but decisive move against Generalissimo must come from south where action delayed owing failure thus far to arrange flight of three key men from Nanking."

Sent Department 1476, pouched Consulates, China.

STUART

893.00/8-1048

*The Consul General at Canton (Ludden) to the Ambassador in China
(Stuart) ⁴⁴*

No. 44

CANTON, August 10, 1948.

SIR: I have the honor to refer to previous despatches on the same subject and to enclose a Memorandum ⁴⁵ of further Conversation with General Sun Pao Kang, an official of the Democratic Socialist Party.

The Embassy will observe that General Sun, in common with most other observers, believes that the position of the Central Government is continuing to deteriorate and that the power and prestige of the Generalissimo is at low ebb and that conversely the power and influence of the Chinese Communists and their supporters is rising.

General Sun's idea of a coalition of non-Communist groups is not a new idea and General Sun, in common with others who have previously expressed the same thought, is likewise unable to define the leadership of such a group. Although General Sun, in this particular conversation, did not specifically so state, there was a clear implication, as in previous conversations, that in final analysis he considers it will be necessary for the United States to express an interest in such a coalition and thus endow it with the breath of life.

It will also be noted that General Sun, as previously, continues to play down the importance of Marshal Li Chi-sen and accuses him of having no political program other than that which is dictated by the Communists or his neo-Communist followers. Sun continues to maintain that Li is motivated largely by his hatred of the Generalissimo.

Respectfully yours,

RAYMOND P. LUDDEN

⁴² Professor of philosophy at Yenching University.

^{42a} Vice President Li Tsung-jen.

⁴³ General Pai Chung-hsi, Commander in Chief of the Central China Bandit Suppression Forces.

⁴⁴ Copy transmitted to the Department by the Consul General in his despatch No. 194, August 10; received August 31.

⁴⁵ Not printed.

893.00/8-1148 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, August 11, 1948—3 a. m.

[Received 6:56 a. m.]

335. Communists continue maintenance tight blockade Changchun. Civilian food shortage critical and indications military food problem becoming acute. Airlift foodstuffs on present scale from Mukden and Chinchow not sufficient maintain garrison extended period. No imminent indication Government military collapse Changchun or early all-out Communist military attack but if some diversionary effort by Government not made in near future early fall Changchun appears inevitable.

Sent Nanking 424, repeated Department 335.

WARD

893.00/8-1148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 11, 1948—noon.

[Received August 11—5:28 a. m.]

1482. Highly reliable source reports Manchurian leaders accepting Government offers in settlement Peiping shooting of northeastern students. Manchurian demands included certain unspecified political measures as well as monetary settlement and punishment officers and men responsible for shooting. Though these demands were highly onerous in totality, they were all accepted by Government, which only required that true terms of agreement not be publicized. Source further reported that no overt moves by northeasterners against Government likely in immediate future, but that Manchurian will accord no support to any Government headed by Chiang and his immediate followers and will give such government only minimum necessary cooperation. Source also said that northeasterners will give wholehearted support and cooperation to almost any Chinese Government not headed by Generalissimo and followers; that this support would be financial, political, and military and would include all of resources of Chang family; that military support includes large forces under command Chang Hsueh-shih,⁴⁶ now serving with Manchurian Communists.

Source of above is American official quoting interview with well-known Manchurian political personage who offered information on basis his name not be revealed. We believe this information probably

⁴⁶ Younger brother of Marshal Chang Hsueh-liang who ruled Manchuria from 1928-1931.

correct. Since Government post-war occupation Manchuria, local leaders increasingly opposed to continuation Nanking control. Prior to this occupation it was their hope that relations between Central Government and Manchuria be after pattern obtaining 1929-1930 wherein Manchuria had large amount autonomy internal affairs, permitted existence Kuomintang organization, accepted Kmt direction in field foreign relations, contributed revenues to national treasury and generally integrated administrative service with balance country. When Government ignored those requirements, carried out military occupation and set up corrupt and incompetent civil administration, it thoroughly alienated all Manchurian classes and rejected popular support available to it in that area.

Manchurian leaders now maintain close liaison with other dissident and potentially dissident groups, and are doubtless eager support any new regime, whether national or regional, in return for satisfaction what they believe to be just claims. However, as long as control over their source supplies remains in hands Fan Han-chieh,⁴⁷ generally regarded as personally loyal to Generalissimo, no overt break seems likely.

We regard claim that military and other resources of Chang family would be available to new Government is probably true, and we also believe that these resources may well be great. Most Manchurian leaders apparently desire return of Young Marshal to power, and claim that he has large following among all classes in northeast. Also, it is entirely possible that those forces commanded by Chang Hsueh-shih and now carried on Manchurian Communist order battle would rally to Young Marshal should he return to Manchuria, or to any other Manchurian Government headed by his supporters. Above is in general agreement with Mukden's 414 of August 6⁴⁸ and with other reports on North China and Manchurian situation.

Sent Department, pouched to all Consulates in China.

STUART

893.00/8-1148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 11, 1948—5 p. m.

[Received August 12—2:47 a. m.]

1486. Chang Chun who has just returned from an "unofficial" visit on behalf of Generalissimo to North, South, Southwest and West China, tells us that his greatest impression is that feeling of helplessness.

⁴⁷ Vice Commander of the Northeast Bandit Suppression Headquarters.

⁴⁸ Same as telegram No. 330, August 5, 2 p. m., from the Consul General at Mukden, p. 400.

ness, dissatisfaction and consternation is centered largely in Shanghai and Nanking. In North China particularly but also to some extent in Nanking and Shanghai he found tendency for articulate opinion to fall into two groups: (1) anti-US-Japan policy, pro-Soviet, anti-Government and basically anti-US—he mentioned Generalissimo's eldest son Chiang Ching-kuo as typical leader in this element and (2) pro-US, anti-Soviet, with a tendency to be pro-Government. He mentioned no particular leader of this latter group. One other phenomenon which puzzled him was evidence of a belief that with our increased responsibilities in the world we had become possibly more arrogant and less inclined to consider opinions of others.

In South China and Southwest China and in Szechwan he had found life going on much as usual, little pessimism, but on other hand considerable optimism that if each region were allowed to go its way without too much interference from Nanking they could get along. Szechwan, he said, was prospering.

Chang Chun confirmed press reports that he hopes soon to visit Japan in order to inform himself of our policy in respect of Japan and added that he hopes also to visit US.

We believe Chang Chun with all his inability to meet issues and take a strong position is basically sound and that anything we can do to facilitate or encourage his visit to Japan and to US should be in our interests.

STUART

893.00/8-1048 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, August 11, 1948—7 p. m.

1163. Dept would find it helpful in giving full consideration to Emb's 1472, August 10 and 1473, August 10 to have detailed info regarding statement made in second sentence of second para of para numbered 1 which begins with the word "Nevertheless" and ends with word "offered" particularly with respect to first half of sentence which ends with word "advice".

Likewise further info is required on statement contained in next to last sentence of that same para which begins with word "Long" and ends with word "months".

MARSHALL

893.00/6-3048 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, August 12, 1948—1 p. m.

1164. Statement in urdespatch no. 287 June 30 "I am maintaining an attitude of friendly but passive interest while assuring them that the door is still open if they care to take advantage of it" not altogether clear.

This is problem on which there must be no misunderstanding. Following for your guidance and clarification:

1. The US Govt must not, directly or indirectly, give any implication of support, encouragement or acceptability of coalition govt in China with Communist participation.

2. The US Govt has no intention of again offering its good offices as mediator in China.

Overt US opposition to Chi Govt compromise with Chi Communists (or even secretly expressed opposition, which would likely become known) would at this juncture provide ammunition in China for propaganda alleging US encouraging and prolonging civil war. It could also mislead Chi Govt to expect unlimited aid which could not eventuate under existing world situation and in any circumstances would require Congressional action. Any informal expression of US Govt attitude toward these questions should at this stage of developments in China be confined to the two points outlined above. You should, of course, overlook no suitable opportunity to emphasize the pattern of engulfment which has resulted from coalition govts in eastern Europe.

This telegram was drafted prior to receipt of Embtels 1472 and 1473 Aug 10 which will be dealt with in separate message.

MARSHALL

893.00/8-1348 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, August 13, 1948.

[Received August 13—7: 13 a. m.]

339. Last week Mukden plain-clothesmen secretly arrested professor and 4 prominent students, including 3 leaders recent Mukden demonstrations protesting Peiping bloodshed, and 1 student governor of medical college. Protesting undocumented arrest without statement charges, 160 students Tuesday gathered at Mukden garrison headquarters, notwithstanding recent ban public meetings. Gathering dispersed only after garrison and mayor Mukden promised release suspects next day.

Garrison headquarters Wednesday charged arrestees with Communist activity and refused their release. After repeated refusal release, students yesterday again attempted approach headquarters, but were dispersed under threat force. Middle schools and colleges then isolated by military cordon. Students and reporters queried by ConGen consider arrestees non-Communists.

Today Mukden traffic centers heavily guarded police armed only with clubs under orders disperse possible students' demonstration.

Sent Nanking 428, repeated Department 339, Peiping 178.

WARD

893.00/8-1048 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, August 13, 1948—9 p. m.

1180. Analysis of China situation and statement of possible problems which may confront US set forth in Embtels 1472 and 1473 of Aug 10 have been very helpful to Dept in its consideration of possible courses of action open to US Govt.

While Dept will keep actively in mind questions raised it is not likely that situation will make it possible for us at this juncture to formulate any rigid plans for our future policy in China. Developments in China are obviously entering into a period of extreme flux and confusion in which it will be impossible with surety to perceive clearly far in advance the pattern of things to come and in which this Govt plainly must preserve a maximum freedom of action.

For immediate practical purposes you should be guided by Deptel 1164, Aug 12.

MARSHALL

893.00/8-1448 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, August 14, 1948.

[Received August 14—1 : 19 a. m.]

340. Chairman student body Mukden Medical College arrested yesterday, charged with leadership Tuesday protest meeting at garrison headquarters (mytel 428 to Embassy yesterday⁴⁹). Declared guilty by garrison commander at closed administrative trial; sentenced indefinite imprisonment, "probably several months".

Unusual display police strength on streets. No visible student unrest.

Sent Nanking 429; repeated Department 340.

WARD

⁴⁹ Same as telegram No. 339, p. 415.

893.24/8-1648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 16, 1948—6 p. m.

[Received August 19—7:45 a. m.]

1542. I spent last week end with the Generalissimo at Kuling and had several fairly long talks with him. He is so thoroughly convinced of the insidious menace of world Communism to China that he is determined to fight it to the last with or without American aid and regardless of the consequences. He believes that the success or failure of Communism in China will have vast influence on all southeast Asia. He looks upon any negotiated peace at the present time as undesirable because the Communists, he says, would make demands that would give them entirely too great an advantage.

He told me of the time when the northern advance in 1925-27 was being planned with the help of Borodin⁵⁰ and Galen,⁵¹ and of Russian hopes at that time of being able to mold Chinese political developments. He frustrated their aims at that time, he said, but Soviets have never abandoned determination to mold political developments in China. Before the outbreak of the Japanese war and during it, the Soviets sought, he said, to have China strong and united enough in resisting Japan to prevent Japan from attacking Siberia. He says the Russians are more realistic in appraising Chinese conditions than Americans who predict that his Government will fall in 3 or 6 months. The Russians know better, he says, and prefer to have a peaceful settlement on terms which would advance Communist infiltration.

He realizes the need for reform in China, but is so harassed by the military situation and all its attendant ills that he hesitates to attempt reforms until he is in a strong military position. Our rural reconstruction program, in his opinion, may point the way at least toward some improvement.

The Generalissimo expressed considerable annoyance at constant American criticism of him and his Government, charging it with being corrupt and inefficient yet doing so little to help it in overcoming these weaknesses. It is precisely because he knows the Government to be corrupt and inefficient, he says, that he has repeatedly asked for American aid, especially in the form of civil and military advisors. Only with such American help can the reforms be undertaken which alone would justify material assistance. He cannot believe that the American leaders are fully aware of what he is trying to achieve and why, or of what our interest in this struggle really is. He insists that he has always believed in American ideals and seeks

⁵⁰ Mikhail Markovich Borodin.

⁵¹ Later known as Marshal Blücher (Vasily Konstantinovich Blyukher), commander of Soviet Far Eastern Army.

closer cooperation in making these effective in this part of the world in the face of our common danger.

At this stage the Generalissimo inquired whether I wouldn't go to Washington and endeavor to lay China's real case before you. I replied that I believe my despatches and cables had made all the ramifications of the China situation clear to you, but I was of course prepared to come to Washington at any time you so directed.

I know that your entire time must be occupied with the present difficulties in Germany and with your preparations for the General Assembly meeting and that you most likely would have no time really to go into the China situation even were I directed to proceed to Washington. I realize further that my visit would likely effect no acceleration in our aid to China. I am of course ready to do anything in my power to serve you and help this suffering country, but my personal opinion is that such a trip would lead to undesirable speculations and raise false hopes for the Generalissimo. Accordingly, I should appreciate your advice as to nature of reply I should make to Generalissimo.

STUART

893.00/8-1648: Airgram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, August 16, 1948.

[Received August 24—2:54 p. m.]

A-755. Recent reports reaching this Consulate General indicate that the Communists in the North may be taking a less intransigent attitude toward missionaries. Missionary sources say that several of their number were recently given safe conduct passes by the Communists who had occupied territory where they were located. They were permitted to return freely to Nationalist territory.

Another missionary source recently reported to the Assistant U. S. Navy Attaché here that orders have been issued by the Communist High Command that foreign nationals found in newly occupied territory should not be molested and that if they are engaged in hospital, educational or religious endeavors they should be protected and encouraged to continue.

Information reaching the Assistant U. S. Military Attaché here is to the effect that Americans in Yenchow, when that city fell to the Communists,⁵² were not molested and that the Communist General Feng issued passes to them without question stating that there had been a change in policy whereby freedom of religion would be allowed.

CABOT

⁵² February 26, 1948.

893.01/8-1748 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, August 17, 1948.

[Received August 17—3:03 a. m.]

307. On August 16, there was inaugurated at Peiping a conference tending to make more effective politico-military coordination and co-operation measures among North China component governmental departments. Conference presided by Commander in Chief North China Bandit Suppression Forces Fu Tso-yi and attended by Governors Hopei,⁵³ Jehol⁵⁴ Chahar⁵⁵ and Suiyuan⁵⁶ provinces, mayors [of] Peiping⁵⁷ and Tientsin⁵⁸ together with military leaders such as General Chow Ti-jen, Peiping Garrison Commander Chen Chi-cheng, Tientsin Garrison Commander Chen Chang-chieh and Peace Preservation Deputy Commander Chen Kwang-tou of Hopei. Press states over 50 persons attending conference opening. In opening speech Fu Tso-yi stressed all-out North China Communist suppression campaign, pointing out ways and means to closer cooperation between military and political authorities.

Topics on agenda: (1) Acceleration Communist suppression in North China; (2) Review past military and political activities and probably defining a new policy; (3) Attempt to [get] closer military and political coordination and cooperation; (4) More extensive training local defense corps and closer cooperation with national offense.

TOUCHETTE

893.00/8-1748 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, August 17, 1948—noon.

[Received August 17—4:45 a. m.]

308. Remytel August 17, 460 Nanking, 307 Washington and 327 Shanghai.

As far as could be ascertained this date, purpose North China political military conference is desire Fu Tso-yi to gather opinions leaders of provinces Hopei, Jehol, Chahar, Suiyuan and mayors Peiping and Tientsin and North China military leaders for formation better plans and execution Communist suppression activities these provinces.

⁵³ Gen. Chu Hsi-chun.⁵⁴ Sun Tu.⁵⁵ Gen. Fu Tso-yi.⁵⁶ Lt. Gen. Tung Chi-wu.⁵⁷ Liu Yao-chang.⁵⁸ Lt. Gen. Tu Chieh-shih.

Vice President Li Tsung-jen attending conference, departing by air noon August 17 for Nanking.

Sent Nanking 461, Dept 308.

TOUCHETTE

893.00/8-1948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 19, 1948.

[Received August 19—4:20 a. m.]

1539. Following is text of Embassy statement released to press on August 19, 1948:

"Certain newspapers on August 17, 1948 published statements that the Chinese Government is about to promulgate a period of national emergency and that relevant measures had been decided upon following conferences at Kuling between the President of China and the American Ambassador, the Honorable J. Leighton Stuart.

In connection with these reports, the Ambassador wishes to state that his recent visit to Kuling was of a purely social nature. It is quite natural that during his call on the President he did discuss certain matters of mutual interest to the US and China but he wishes to deny categorically that any reference was made to the question of a period of national emergency or that he is aware of any plans for the declaration of one."

STUART

893.00/8-1948 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, August 19, 1948—5 p. m.

[Received August 20—3:05 a. m.]

312. Today's papers reported Peiping special criminal court has issued warrants of arrest for stated number Peiping students considered subversive elements. Number of local students named as professional students in list published in papers total 250. Appears warrants were issued for arrest of entire number. List includes 71 students Peita, 35 Normal College, 31 Yenching, 31 Tsinghua, 24 Fujen, 11 Chaoyang, 4 Chungfa, 16 Huapei, 7 Railway College, 12 China College, 8 Fine Arts College.

Several universities surrounded by police this morning and arrest warrants served to university administrations. Yenching and Tsinghua students not permitted leave campuses and no telephone communication all day with these two universities. Police reported acting restrained fashion. No reports yet of students-police clashes.

General consensus list published way out of date. Hu Shih ⁵⁹ states of 71 Peita students named 43 already expelled for leaving university with [*without?*] notification. He says it presumed they already in Communist territory. Yenching professor states several on Yenching list in liberated areas year ago, one is new Yenching faculty member and one employed by USIS ⁶⁰ Peiping. Quite apparent list is sloppy job.

Rigney, rector Fujen, states university told police they did not assume responsibility for turning students over but would not prevent police making arrests themselves. Hu Shih informs us Peita authorities advising accused students now in Peiping to appear in court tomorrow to answer summons. Peita will provide them legal defense.

Impossible prophesy present time possible repercussions this move, but timing during vacation would seem to preclude large scale student demonstrations.

Sent Department 321; repeated Nanking 464, Shanghai, Mukden and Tientsin.

TOUCHETTE

893.00/8-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 20, 1948.

[Received August 20—4:32 a. m.]

1543. Local vernacular press carries following text of order issued August 17 by Executive Yuan:

"In rebelling against the nation, the Communist bandits are not only engaged in manslaughter, arson, and pillage by force of arms, but also have set spies, circulated rumors and instigated workers' and students' strikes in the rear. The responsible authorities may not have taken strict precautions or handled the situation in earnest. During the bandit suppression period, preservation of social order and elimination of bandit spies are essential to ensuring the safety of the people and guarding the foundation of the state. Attention is hereby called to the following four points:

(1) In accordance with article 3 of the Prosecution Law of the Criminal Code, in making arrests according to law judicial and police agencies may search residences and other places without a warrant if there is sufficient evidence for establishing the crime of the accused and if the situation is urgent. But places of military secrecy may not be searched without the permission of the officer-in-charge.

(2) Liaison will be established with responsible administrative agencies in banning bandit-inspired strikes or other activities

⁵⁹ Chancellor of National Peking University (Peita).

⁶⁰ United States Information Service.

interfering with production. Those who disobey the ban will be turned over to the special criminal court for punishment according to law.

(3) Student bodies which interfere with the bandit suppression campaign by calling strikes, staging demonstrations, presenting petitions, and making oral or written propaganda on behalf of the bandits are to be dissolved or prohibited from doing so. Chief offenders will be turned over [to] the special criminal court for treatment according to law.

(4) Those in charge of Government agencies, civic bodies, and schools are responsible for ensuring order within their organizations. When they find their fellow members instigating the activities set forth in (2) and (3), they are to report to the local peace preservation agencies and, insofar as possible, help collect evidence. Those who fail to do so will be punished."

STUART

893.00/8-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 20, 1948—3 p. m.

[Received August 20—7:34 a. m.]

1546. Information requested in Deptel 1163 has been secured from AAG and is summarized below.

As to Chinese Government's disregarding competent military advice, in course of his occasional meetings with Generalissimo, General Barr⁶¹ had been asked to comment on specific problems arising from conduct current military operations, and his advice has been solicited on these problems. In general this advice has been ignored. For example, as means to alleviate bad supply situation Mukden, in March 1948, it was recommended that coordinated attack be staged from Mukden and Chinchow to open land corridor. Supreme general staff adopted recommendation and Generalissimo approved. General Wei Li-huang,⁶² commanding in Mukden, initially endorsed plan, later became lukewarm and eventually caused cancellation of attack. No corrective action was taken by Generalissimo and idea was abandoned.

Also, when Nationalists abandoned Kirin on March 12, 1948, it was recommended that hydroelectric facilities and surplus munitions and supplies be destroyed. This was not done, with result that Communists were equipped for continued offensive operations. Failure destroy equipment and supplies prior to capture is common weakness of Nationalists, which repeated advice fails to overcome.

Also, as part of plan to open Mukden-Chinchow corridor, it was recommended that Changchun garrison fight south of Mukden. It

⁶¹ Maj. Gen. David G. Barr, Chief of Army Advisory Group (AAG).

⁶² Commander in Chief of Northeast Bandit Suppression Headquarters.

has been recommended many times that Mukden forces by feint draw off Communist strength to permit escape of Changchun garrison. This advice has likewise been ignored.

Fallacy of Nationalist tactics in attempting to defend cities and lines of communication from within walls or close along railroads has been pointed out on many occasions, but to no avail. It has been stressed with little or no result that modern conception of warfare is based upon fire and maneuver and that when defending troops take up defensive posts within city wall or similar fortified position, they have lost mobility and opportunity for victory.

That replacements be fully trained before assignment to units has also been recommended. Recently it has been reported that 3500 men from Nanking replacement training center are to be assigned to units in Hsuehou area after little more than physical and other conditioning exercises.

It has been recommended, to no avail, that youth divisions, which are comprised of educated men who are potential officer material, be broken up and their members be assigned to other units.

The following general recommendations have been made with little apparent results: proper training of replacements prior to combat; provision adequate food, clothing, pay, and medical care; care of soldier's dependents; organization and training of strategic reserves; organization and training of provincial troops so as to release regular forces for mobile operations; modernization of supply and personnel administration; indoctrination in patriotism; placing of selective service on just and efficient basis; use of propaganda as weapon; increased coordination and cooperation between individuals, staffs and major forces; placing of North China and Manchurian operations under single commander; and preparation of sound strategic plan.

With reference of [to] Government's failure to take advantage of military opportunities offered, examples are too numerous to cite fully. Failure to heed recommendations on conduct Manchurian campaign, as listed above, all represent failure exploit opportunities. Within past several months Fu Tso-yi has, through failure pursue after victory or other faulty tactics, permitted important Communist forces to escape destruction. Communist forces concentrated for rest, reorganization, resupply and retention or replacements are seldom or never molested or harassed, though such course of action well within capability of adjacent Nationalist commanders. Many opportunities to inflict decisive defeats on Communists have been lost because of failures of Nationalist field commanders to cooperate with one another. Personal feelings influence military action and disobedience of orders by field commanders is not uncommon. In latter case punitive measures are exceedingly rare.

As regards failure fully implement plans for training new divisions and replacements, delays in implementing these plans, delays in meeting planned objectives are primarily due to lack funds and equipment, lack of any aggressive staff action, and leadership. Also, to some extent due Defense Ministry's adoption unrealistic timetables not permitting sufficient time to train divisions to desired standards. Strategic reserve divisions are to be trained in Canton, Nanking, and Taiwan areas. In Canton part only one of three divisions to be trained has been relieved from operational duties. Divisions still not reorganized, service unit personnel still unassigned, division staffs have not been augmented and greater part of housing required, including that for American staff, has not been provided. Two divisions now in Taiwan are scheduled finish training about September 1. Standard achieved in this training is well below that generally accepted by AAG for Chinese-trained Chinese division. Divisions scheduled for next Taiwan training to begin about first September have not been reorganized, lack necessary service personnel and lack augmented division staffs. Also, their training cadres have not yet been selected and moved forward prior to arrival balance of units so that training can commence immediately units reach Taiwan. Failure provide housing limits Nanking program to one instead of originally planned three divisions. This division also still unorganized and without augmented staff and service personnel.

In replacement training program, principle of individual replacements not accepted by higher echelons despite assurances to contrary. There is insufficient weapons at all centers. Nothing has been accomplished at Shaokuan center. Failure provide housing reduces capacity Nanking center, though cadre school functioning and staff partially organized. At Hankow center, officer training school functioning and part of cadre being trained. Center has 1500 replacements who are being used to provide housing facilities.

Data listed above could be greatly amplified, but is sufficient to illustrate grave difficulties encountered by General Barr in accomplishment his mission and to demonstrate fact that these difficulties entirely originate in failure Chinese high command to perform its functions. This chaos in military sphere is only part of larger chaos pervading all activities of Government as we survey this situation, we are constantly impressed that relatively minor corrective action taken in a few fields would effect major improvement in Government's position provided that this action be taken as part of overall military, political, and economic plan. The Government so far has been incapable of developing such a plan.

STUART

893.00/8-2048 : Telegram

The Consul General at Canton (Ludden) to the Secretary of State

CANTON, August 20, 1948—4 p. m.

[Received August 21—1:59 a. m.]

168. T. K. Ho, advisor to Governor, informs that several weeks ago Generalissimo sent Chang Chun to Peiping to explore possibility Government-Communist peace negotiations with Li Li-san.⁶³ In meantime, however, Generalissimo received message from Chen Li-fu,⁶⁴ then in U. S., to effect that Republican presidential candidate would be elected and that Chen was convinced Generalissimo could anticipate greatly increased American aid, both military and economic, in early 1949. Upon receipt this information Generalissimo immediately recalled Chang Chun and sent him Szechuan and Yunnan in effort to rally wavering political leaders in southwest.

My informant would not reveal source of foregoing other than to say it was from friend recently returned from Nanking-Shanghai.

Soong and party returned Canton August 17 and he or member his party, probably the latter, seems likely source.

If this information correct, Generalissimo's pattern of conduct is reminiscent of his reaction to 1944 message from H. H. Kung,⁶⁵ then in US which influenced decision to request recall of Stilwell.⁶⁶

As check on my informant, would appreciate knowing how foregoing ties in with Embassy information.

Sent Nanking 180, repeated Department 7125 [168].

LUDDEN

893.00/8-2348 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, August 23, 1948—3 p. m.

[Received August 23—5:08 a. m.]

246. Remytel 416, August 21, repeated Department 244,⁶⁷ Shanghai as 391 and Peiping. No repercussions from student arrests. Chinese educators here somewhat apprehensive over future developments; they

⁶³ Member of the Central Committee of the Chinese Communist Party and adviser to Gen. Lin Piao, Communist Commander in Chief in Manchuria.

⁶⁴ Vice President of the Chinese Legislative Yuan.

⁶⁵ Chief Chinese delegate to the United Nations Monetary and Financial Conference.

⁶⁶ Lt. Gen. Joseph W. Stilwell, Commanding General, U. S. Army Forces, China-Burma-India, and the Generalissimo's Joint (Allied) Chief of Staff for the China Theater; recalled to the United States on October 21, 1944. See *aide-mémoire* of September 25, 1944, from Generalissimo Chiang Kai-shek to President Roosevelt, printed in *Military Situation in the Far East: Hearings before the Committee on Armed Services and the Committee on Foreign Relations, 82d Cong. 1st sess.* (Washington, Government Printing Office, 1951), p. 2874.

⁶⁷ Not printed.

say that Tientsin students generally have caused little trouble in past compared with students at Peiping and elsewhere, but that arrests may stir things up.

A prominent Tsinghua alumnus here expresses opinion that National Government authorities should make serious effort to find jobs for university graduates. He says only small percentage of last Tsinghua graduating class had found jobs and many, many others, unable to obtain employment, had joined Communists not from conviction but simply to eat.

Sent Nanking 417, repeated Department 246, Shanghai 393, Peiping.

SMYTH

893.01 Manchuria/8-2348 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, August 23, 1948—5 p. m.

[Received August 24—12:42 a. m.]

348. Chinese recently arrived from Changchun, previously known [to] official U. S. organizations there as well-informed certain subjects but doubtful reliability states plan for independent Manchuria Government (reCondes 20, May 14, 1948⁶⁸) failed March-April when pro-Soviet clique attempted establish such government but forced abandon plan by Yen-an clique. Stated pro-Soviet clique now attempting achieve hegemony northeast by increased use Mongolian and Korean Communist troops in strategic areas, thus placing selves in predominant position for efforts, carry out own future plans, in meantime perfecting own administrative and personnel organization. Source states he observed Communist front lines Changchun and north of Mukden held by units preponderantly Korean. Latter information in general accordance with ESD⁶⁹ information.

Sent Nanking 437; repeated Department 348.

WARD

893.00/8-2448 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 24, 1948.

[Received August 31—1:52 p. m.]

A-215. Following article was published in the Central News Agency's English Service on August 22, 1948:

⁶⁸ Not printed.

⁶⁹ External Survey Detachment #44, an American intelligence unit attached to the Western Pacific Naval Command.

“President Chiang Kai-shek issued a statement on the current situation and recent important Government measures this afternoon. The statement reads as follows:

[‘]I cannot help recalling how immediately after V-J Day,⁷⁰ our people all entertained fervent hopes of a quick economic recovery and of better days for everybody. I also remember having devoted a great deal of my time and thought to matters concerning the formulation of concrete reconstruction plans and to the training of personnel. My earnest wish then was to strive together with the rest of the nation to translate the Three People’s Principles into action.

Three years have elapsed since the war ended. Had it not been for the Communist rebellion, we would have achieved considerable progress in our recovery and reconstruction efforts under conditions of peace and stability such as other democratic nations have done. However, this is not what the Communists wanted to see happen. In pursuance of premeditated schemes, they have done everything in their power to jeopardize our sovereignty and territorial integrity, to undermine the foundation of our unity and independence, to besmear our glorious history as a victorious power, equality in the community of nations. Their policy has been one of armed uprising and merciless slaughter of the people. This explains the chaos and sufferings in our country today.

Although in launching their all-out rebellion, the Communists have taken full advantage of our post-war economic dislocation and general weariness after a long war, they have failed during the last three years in their conspiracy against our nation and against the livelihood of the people. This being the case, one can be sure that they will never succeed in selling out our nation, no matter how much longer they may try.

In the past year, the Communists have mobilized all human and material resources in their areas in a determined effort against the Government. They have hoped to win support for their rebellion by “land revolution,” and wherever such support was not forthcoming, by “class struggle” and other methods of intimidation. But subsequent events have proved that the Communists’ so-called “one-year plan” has failed. Not only their military adventures have fallen short of their objectives, but they have also suffered the consequences of their own ruthless “class struggles”. Peoples in Communist areas have risen in revolt because the Communists have brought on famine and starvation.

To cover up their failure, the Communist[s] have launched political offensive by instigating students in Government areas to open a “sec-

⁷⁰ September 2, 1945.

ond front" for them. As part of this scheme, their agents have started the so-called "anti-war" movement. This was nothing but another attempt to create disturbances in Government areas.

The gullible few taken in by the Communists and fellow-travellers have in concert put all the blame on the Government for conditions resultant from Communist terrorist methods. They have gone to the extent of accusing the Government of manufacturing "civil war". They have overlooked the fact that the Government's rebellion-suppression campaign aims at protecting the sovereignty and territorial integrity of our country and at preserving our national independence and freedom. In reality, the present campaign is but the continuation of our earlier War of Resistance against Japanese aggression.

So long as our unity and independence remain to be secured and so long as there are people in the Communist areas to be delivered from agony, our patriotic citizens, both in and outside of our armed forces, cannot rest, for they are duty bound to press this campaign to its victorious conclusion. Otherwise, not only our people would be unable to preserve their fruits of victory won with bloodshed and great sacrifices in the eight years of war, but the entire nation would meet with an irrevocable fate of enslavement.

Despite all difficulties, the Government has not ceased its reconstruction efforts just because there is a military campaign under way. At this juncture, the *Fapi* has reached a stage of malignant inflation. In view of its far-reaching effect on the national economy and the people's livelihood, the Government has resolutely reformed the currency in order to achieve economic stability. The decision to issue the Gold Yuan Notes was reached only after the most careful considerations. An adequate reserve has been set aside to back them. Meanwhile detailed plans have been mapped out for financial reorganization and economic control to ensure the success of the reform. I am firmly resolved that the four sets of financial and economic emergency measures will be enforced to the letter.

It should be realized that henceforth progress in national reconstruction and economic stability will both be predicated on a stable currency. Therefore, I hope all patriotic citizens will lend their unanimous support to the new monetary system. Furthermore, it should be stressed that this latest currency reform will pave the way for subsequent financial reorganization and stability in the people's livelihood.

The Government belongs to the people as a whole. The people are masters of the country. There is an old saying: "If the skin is gone, the hair will have nothing to grow on." At a time like this when the Communist rebels are rampant confronting the nation with a serious crisis, the people, the State and the Government will share

the same consequences, be they good or bad. By supporting the new currency and by observing all related Government measures, the people will be doing what is necessary to secure their own livelihood and their own rights and interests.

I sincerely hope all our people will understand the indivisibility of the State, the Government and themselves. Consequently, not only there ought to be mutual trust and mutual help between the people and the Government, but the people themselves should, through mutual exhortation and persuasion, rally behind the new currency to see to it that all related measures are enforced.

Should there be a few who choose to subordinate the national welfare to their self-interests and resume such practices as were customary during the days of the *Fapi* and use of the new Gold Yuan Notes as an instrument in hoarding and speculation, thereby undermining popular confidence in the new currency, these men will be guilty of jeopardizing the livelihood of the people as a whole. Thus, they will become public enemies of the nation. The Government will certainly prosecute them on charges of high treason and seek their severest punishments under the National General Mobilization Act and the Criminal Code.

The people, on their part, should expose any such activities and help the Government in implementing its policy as the latter is designed to protect the interests of the people, to stabilize national economy and safeguard the livelihood of the citizenry. During the past 10-odd years, the *Fapi* had served its usefulness in financing the twofold program of war and national reconstruction. I am confident that the Gold Yuan will likewise see our new twofold task of rebellion-suppression and national reconstruction to its successful conclusion.

Of course, nation-building has its material requisites, but of greater importance is that it must have a spiritual force behind it. Universities, being the training ground of the nation's reconstruction personnel, are the fountainhead of this spiritual force. Unfortunately for the country as a whole, the Communists have planted agents in our universities and have surreptitiously induced the students to join Communist organizations. As a result, students in many of our institutions of higher learning have wasted much of their valuable time which they should have expended in more profitable ways. What makes it worse is that once they get involved in the Communist intrigues, the reasoning power of the students becomes so impaired that they come to espouse the Communist cause by carrying on clandestine activities against the Government.

Furthermore, these Communist agents are instilling pernicious thoughts into the youth, trying, in one stroke, to ruin our traditional

culture, destroy national consciousness and interrupt the pursuit of scientific knowledge. This is serious because any of these foregoing attributes is indispensable to any intellectual who later on is to play a part in national reconstruction. The Government simply cannot and will not sit back and watch this devastating force spread among our youth and do nothing to stop it.

At present though beset with financial difficulties, the Government is doing its best to aid large numbers of students and to give relief to those who have fled Communist-controlled areas. It can be truthfully said that the Government has been most assiduous in looking after the students. However, it will not again condone any Communist-inspired acts against our society and nation. That is why it has ordered the security authorities in various parts of the country to suppress Communist espionage activities and particularly to remove insidious elements from among our college students. This was prompted as much by a desire to safeguard peace on the campus as by a wish to make it possible for our youth to carry on their studies in peace and security.

Today our national fortunes are in the balance. It is my earnest hope that our people as a whole will have confidence in the Government, observe laws and orders and help establish a sound currency, cease hoarding and speculating activities, do away with extravagance, practice economy, preserve China's traditional virtues of industry and frugality, restore our national characteristics of personal integrity and sense of propriety.

On the other hand, we should expose the activities of Communist agents, maintain social order, protect the schools against infiltration by Communist agents and, on the part of the youth themselves, to value most highly, their opportunity of receiving an education.

Rebellion-suppression and national reconstruction must proceed simultaneously. We should together work for the consummation of the Three People's Principles. This is what we owe to those who have laid down their lives in defending the country against the Japanese during the war and against the Communist rebels since. This is also what we must do in order to bring solace to the spirit of our Revolutionary martyrs.['']"

STUART

893.00B/8-2448

The Ambassador in China (Stuart) to the Secretary of State

No. 370

NANKING, August 24, 1948.

[Received September 7.]

SIR: I have the honor to report some of the recent indications of Chinese Communist tendencies, thus supplementing previous com-

ments. Before doing so I wish to express my appreciation of your explicit instructions in Department's telegram no. 1164 of August 12, 1948 as to present American policy regarding a possible negotiated peace, including Communists in a coalition government, and regarding our mediation.

There is a noticeable change toward greater toleration in C. P.⁷¹ treatment of middle-class merchants, small-scale industrialists, landlords, etc., apparently in the hope of neutralizing the fears and hostility of these classes. It is doubtless purely tactical but it may prove quite effective when peace is so widely and eagerly desired. The same less brutally intolerant attitude applies to religious agencies though this is less uniform.

Opinions vary as to how closely the C. P. and various non-Communist groups are really working together to overthrow the National Government. That they have a common hatred of Chiang Kai-shek is their strongest, and with many of them about their only, bond. For instance, Li Chi-shen and his followers in Hong Kong could scarcely hope to succeed in their long projected revolt without some understanding with the C. P. The latter are apparently bidding for cooperation with all such dissident bodies in order to give the appearance of being a new, nation-wide Coalition Government. Once established they would of course dominate and these elements could be easily absorbed or liquidated. Reports from Hong Kong claim that this movement will be announced in the next few months somewhere in the so-called Liberated Area. On the other hand, there are hints that all is not going smoothly in these discussions, and that even the Democratic League is by no means united in its present attitude to the C. P. There is reason to believe that the C. P. itself, when actually ready to discuss peace, would prefer to do so with responsible Kuomintang leaders rather than with these weak and unrelated factions.

From a much more authentic source I have more recently learned that the C. P. are becoming somewhat interested in renewing the effort for a negotiated peace with the Kuomintang. The constant rumors of a schism, or at least of major divergences in outlook, between their Northeastern leaders and those within the Great Wall seem really to have some basis. Among the latter there is disagreement between those arguing for a peaceful solution and their opponents. I am told that Mao Tze-tung is being urged to make an authoritative decision. The same source states that the advocates of peace among them still desire American mediation. He reports that the C. P. are also feeling the economic consequences of the long-continued conflict, especially in shortage of food and other commodity goods.

⁷¹ Communist Party.

None of this news needs to be taken too seriously. The earlier suspicions and disputed points still hold and there are many fresh exacerbations. Without American assistance it is hard to imagine either side being willing to approach the other, and no third group has emerged of a type that both parties would respect. The disposition of troops would alone appear to be an insurmountable obstacle. There is, however, a growing impatience among the helpless populace with the continued hostilities and this may somehow organize itself in time.

There is perhaps a slight improvement for the Government in the military situation, though this is more in defensive maintenance than in much aggressive action. The new monetary measures, if successfully carried through, may help the morale of officers and soldiers, as well as prove beneficial in more immediately economic and civilian affairs. But if these fail the outlook for the present Government will be much more gloomy than before the decision was announced.

Should the present attempt to find a peaceful solution, which is certainly in the minds of some C. P. members, result in any concrete proposals there would quite probably be an approach to me. From their point-of-view I am still regarded as more or less liberal or friendly and as having been left here as a sort of symbol of American readiness to assist again in the former mediation effort should both parties request it. If this happens I shall try to be discreet in carrying out your latest instructions.

Respectfully yours,

J. LEIGHTON STUART

893.00/8-2448

*The Minister-Counselor of Embassy in China (Clark) to the Director of the Office of Far Eastern Affairs (Butterworth)*¹²

NANKING, August 24, 1948.

DEAR WALT: In recent weeks the Chinese political scene has been characterized by obscurity. Trends and developments which had been clear and traceable became less evident, and the various definite patterns of political activity which we had been watching became ill-defined and indistinct. It became evident, however, that certain stabilizing factors are beginning to retard the recent rapid decline in the Government's position. We do not feel that these factors will be permanently effective in the sense that they will halt once and for all the general deterioration pervading Nationalist China. Disintegrating forces are still dominant. However, we feel that the Government

¹² Letter summarized in memorandum of September 9, which was submitted to the Secretary of State and initialed by him.

is in somewhat less danger of collapse than was the case a month or six weeks ago. In fact, the Gimo and his new Cabinet under Wong Wen-hao are showing signs of determination to survive.

The principal dangers to the Government continue to be the progressive deterioration of the military situation, the prospect of a breach in Nationalist ranks through the formation of regional political associations, the crisis in the national economy and the inability of the Government to exercise effective political controls in many spheres of public and private activity. The Government is well aware of the gravity of this situation, and, in its own way, is developing means for meeting it.

The most important recent event, of course, is the series of financial and economic measures promulgated by the Executive Yuan on August 20.⁷³ A new currency called the Gold Yuan is established, the bank notes themselves being the so-called Sun currency which was actually printed about three years ago. CNC⁷⁴ is to be converted to the Gold Yuan at the rate of three million to one, and the Gold Yuan itself has a gold content valuation which works out at four to one U. S. dollar. The Government announced that this currency will be backed by holdings of bullion, specie and foreign exchange amounting to US\$200,000,000 and the pledge of securities in Government-owned enterprise, on which latter a valuation of US\$300,000,000 has been placed. There is a provision that the Gold Yuan cannot be issued in an amount exceeding the value of this backing. At the moment this is academic since it is calculated that the U. S. dollar value of total CNC and NEC⁷⁵ outstanding is only in the neighborhood of US\$70,000,000. The difference between that sum and the total "backing" is the authority to the printing presses to meet the deficit in the coming months. So much for the highlights of the currency measures.

The currency reform was accompanied by a series of measures designed to accomplish the near-balancing of the Government's budget, and the reduction of the export-import deficit. Many of these measures involve future executory acts, clarifying regulations, and the establishment of enforcement machinery. Exports are to be stimulated, imports cut, wages and prices frozen as of the August 19 levels, strikes banned, and holdings of gold, silver, and foreign currency, at home and abroad, are to be nationalized. In connection with the latter, there is a whale of an informer's fee; to wit, 40% of the Government's recovery in any individual case.

All of this represents Wong Wen-hao's supreme effort. It has been received so far with complete skepticism by sophisticates and some

⁷³ For correspondence, see vol. VIII, "Financial Relations".

⁷⁴ Chinese National currency.

⁷⁵ Northeast currency.

genuine expressions of hope and relief by rickshaw boys. Real effort is being made to appeal to the patriotism of all the Chinese people and the Gimo has thrown his full influence behind it. It might work, but if it does it will only be because the Government executes the program with ruthlessness, courage and effectiveness.

So far as the future of the Gold Yuan is concerned, it seems to us the only real change is, first, the acceptance and legalization of the black market rate as the new official exchange rate. If internal prices can be, in fact, frozen as is the intention, this should have a highly beneficial effect on exports. The second accomplishment is nominal. It is the removal of the daily inconvenience which has been entailed in handling bales of CNC for even minor transactions. Otherwise, the basic factors remain just what they were before the measures were promulgated; there is no more backing to the new currency than existed for the old, and the budget of the Government is just as hopelessly out of balance today as it was last week. We don't want to appear unduly pessimistic, but our guess is that we will have a very few weeks of relative stability in prices and then the new Gold Yuan will start sliding in terms of the US gold dollar, picking up where the late, unlamented CNC left off.

In the military field the Government's efforts continue ineffectual. The bulk of its field commanders have proven themselves incompetent in battle, and ignorant or neglectful of the primary objective of military operations—the destruction of the enemy. The Government can still compel and entice its armies to continue resistance, but it does not appear able to mobilize its military and other resources and use them in the offensive effort necessary to restore the military situation to its own advantage. A case in point is now shaping up in the Hsueh area. The Government has been anticipating strong Communist attack on Hsueh and has been concentrating troops in that area. As matters now stand, General Chen-yi, with his strong Communist columns, is manoeuvring in the area around Yingchow in Northwest Anhwei. He has gotten himself into such a position that it would be a not too difficult task for the Government troops to encircle him and annihilate his forces. This they planned to do, yet our experience cautions us to anticipate that inability of the Government to compel obedience to its commands, lack of uniform command in the theater, unwillingness of one Government General to cooperate with another or come to the aid of another, and the traditional Chinese inclination to leave an avenue of escape open so as to avoid real battle if possible, will all result in much manoeuvring, little actual fighting, and the retirement North of Chen-yi's forces practically intact.

If the Government troops should surprise us and actually encircle and annihilate Chen-yi, which we are informed by competent au-

thority is within their capability, such an action should change the course of military events for some time and might serve as the inspiration needed to spur others on to victory.

Until we are convinced, however, that Government troops are capable of taking strong offensive action, we feel that were it not for the fact that the Communist armies themselves have difficulties, a general military collapse on the part of Government forces would likely occur. It does not appear at the moment, however, that the logistic services of the Communists are such that they can support a massive, protracted assault of sufficient weight and duration to reduce and take any of the more strongly garrisoned Nationalist centers. Under these conditions, the Communists must perforce keep to their strategy of containment, attrition, and limited attack. Changchun is now starving and will fall of its own weight one of these days. This strategy will bring them no quick victory unless there should intervene political and economic factors which contribute to break the will of the Nationalists to continue their resistance; but, as the battle now goes, their victory will be delayed beyond what might have been expected several months ago.

The steps which the Government can take to improve the military picture continue limited. The sheer inertia of a war-weary populace, plus the fact that the Government cannot control many of its own members who place self-interest above the welfare of the nation, militate against the development of an all-out war effort. Given the complex personal and political relationships of the Officer Corps, it is all but impossible to remove incompetent Officers of high rank, or to reward the few men of merit with suitable promotions and authority.

The threat of the formation of independent regional governments appears less imminent than was the case a month ago, when well-founded reports indicated that the forces of disintegration were actively at work. While there is little doubt that regional leaders, and such dissident organizations as the KmtRC, are still thinking in terms of separatism and still planning to that end, it looks very much as though they have come to think that an overt break with Nanking is not feasible at the present time. This is not to say that the dissidents and potential dissidents have effected any sort of a reconciliation with Nanking, or that they have abandoned the thought that they must prepare to set up their own regime or regimes against the day when the present government disappears. Their liking for the Gimo has not increased, nor has their confidence in his leadership. However, it seems at the moment that they do not intend to influence the course of events by an overt move which would help unseat the Gimo. Rather, it appears that they intend to wait for what they regard as the inevitable collapse of the Nanking Government before venturing on the establishment of their own independent political associations.

If this appraisal is correct, we believe that the reluctance of the dissidents to make an open break very likely stems from a new realization that the present Government still performs for them certain indispensable functions. Principal among these at the moment is Nanking's role in channeling American aid to the Provinces. We have made it abundantly clear that we support the Nanking Government. We have also made it plain that we intend to consult the Nanking Government on the allocation of our economic aid, and it is a well-known fact that the disposition of military aid is Nanking's responsibility. In this situation, the potential dissident, who cannot dispense with American aid, is bound to Nanking by very strong ties. Also, Nanking continues to supply such vital necessities as air and sea transportation, money and civil governmental organization.

It seems patent, for example, that Marshal Li Chi-shen cannot at the present time implement his threats to set up an independent provisional government, though he still maintains that he intends to do so. As we have previously reported, the Marshal could not be expected to move until he was assured of the support of certain individuals with organized political and military followings. It appears that he has been unsuccessful in acquiring support of this kind. In the first place, his insistence on a negotiated settlement with the Communists could scarcely be expected to appeal to any political or military leader who still retained some hope of standing off the Communists. Also, there are indications that he counted on support from Lung Yun,⁷⁶ and that he hoped to trade on Lung's dislike for the Gimo. However, it appears that Lung may be returning to Yunnan under the Gimo's auspices, possibly to resume his old position as Governor of the Province. If this is the case, and Lung proposes to believe that it is, whatever grounds may have existed for agreement between Lung and Marshal Li have vanished. Finally, despite the claims of Marshal Li that he has an "understanding" with Li Tsung-jen, we believe that the understanding involves little or nothing more than a common dislike for the Gimo, and a common inclination to wish him ill. While we do not know what the Vice President may have led the Marshal's representatives to believe, we do not think that the Vice President has, for the present, any intention of associating himself with the Marshal in an overt move against the Government in Nanking.

The potential separatist movement in the North, involving Li Tsung-jen, Fu Tso-yi and certain others, seems to have gone no further than consultation between the parties concerned. These individuals still cherish their dislike for Chiang, continue to mistrust his intentions, retain their doubts as to the quality of his leadership and still

⁷⁶ Member of the Military Strategy Advisory Committee; former Governor of Yunnan.

believe that he does not have their interests at heart. However, as they speculate on the hard facts of an independent political existence, they are forced to conclude that they can get on better with him than without him, and so are willing to continue to cooperate with him as they have done in the past.

Manchurian regionalism also appears quiescent. The Northeastern politicians cannot move without the concurrence of Wei Li-huang, and Wei cannot dispense with the supplies and air transport that he receives from Nanking via Chinchow. Thus, he is even less likely to favor a break with the Gimo than Fu Tso-yi. In this connection, for the past several days the vernacular press has been quoting unidentified "informed sources in Government circles" to the effect that the Young Marshal⁷⁷ is soon to be released. Government spokesmen, including Hollington Tong,⁷⁸ make no comment on the report. This story appears at irregular intervals, generally when the Northeastern leaders become restive, and is doubtlessly designed to quiet them. We have no reason to believe, however, that the Gimo has changed his hitherto adamant refusal to release the Young Marshal under any circumstances.

The picture remains still black. Yet it is not as black as it has been and there is some evidence that the Government has obtained a new lease on life. If the economic measures can afford the breathing spell required and if the Government succeeds in taking even a part of the drastic action planned for reform, and if, by some miracle, it can bring a real victory in the military field, collapse of the Government may be postponed indefinitely. As we have said so often in the past, the bulk of the Chinese people does not want to be Communist and would cooperate heartily with any regime which gives promise of an efficient alternative. On the other hand, as one Chinese intellectual remarked to us recently: "You can't deny the lessons of history, and history will show that in China, periods of chaos are inevitably followed by periods of tyranny." We are certainly experiencing a period of chaos.

Very sincerely yours,

LEWIS CLARK

893.00/8-2548 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, August 25, 1948—noon.

[Received August 25—noon.]

472. Remytels 460 and 461, August 17 to Nanking, repeated Washington as 307 and 308 and Shanghai as 327 and 328. North China

⁷⁷ Chang Hsueh-liang (son of Marshal Chang Tso-lin, Manchurian war lord), leader of the Sian Coup in 1936, sentenced to 10 years' imprisonment.

⁷⁸ Director of the Government Information Office.

military-political conference concluded August 22 after 7 days secret meetings. Approximately 110 persons participated comprising governors, garrison CO's, peace preservation CO's, and mayors large cities of Hopei, Chahar, Jehol, Suiyuan. Conference given little publicity in press.

Fu Tso-yi's unpublished opening address stressed necessity military reform and administration reorganization. Main argument that must take offensive and abandon defensive psychology. On administrative side he emphasized civil officials and militia responsible maintenance order in rear areas freeing troops for offensive. North press indicated implementation these two concepts would form two main tasks of conference.

Believed possible Shanhaikuan area jurisdiction problem discussed. Also rumored possible discussion political secession North China unless adequate aid given. Another partial explanation that Fu may have called conference as check to Chen Chi-cheng who convened group non-Fu generals in July.

Sent Nanking 318, repeated Dept 472.

TOUCHETTE

893.00/8-2548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 25, 1948—5 p. m.

[Received August 25—8:39 a. m.]

1570. I find it difficult to credit reports in Canton's 180, August 20, repeated Department 168, re Chang Chun's visit Peiping. My best judgment is that Chang Chun, in consenting to visit north and south-west in behalf Gimo, may have requested more or less casually authority to explore possibility of peace and that Gimo naturally concurred without any consideration of possible political implications such action. Should Gimo have decided on approaching Communists, Li Li-san would have been last person to be approached as he is known to be intimately associated with Moscow. Gimo has, I believe, deep-seated fear of Soviet aggression in China which, regardless of whether he admits it even to himself, influences his decisions in many fields. This is reflected, I believe, in recent efforts of Foreign Minister Wang Shih-chieh to curb our activities in China on plea that Soviets might conceivably some day request equal treatment. I cite as examples refusal permit our planes fly west Lanchow, and present request that we disguise real character our Service Attaché planes by nominally reporting them to FonOff as planes of AAG.

Furthermore my relations with Gimo are such as to cause me seriously to doubt that he would undertake any negotiations with Communists without at least giving me some intimation thereof. I cite

in this connection his conversation with me reported in my 1542, August 19 [16].

T. V. Soong, of whom I saw quite a lot while he was in Nanking, said nothing to confirm information given by T. K. Ho. Also my conversation with Chang Chun and with Gimo indicate that Gimo is using Chang Chun as a traveling emissary to sound out feelings in various parts of country and to try to persuade potentially dissident elements to remain loyal to Nanking. Chang's present trip to Japan, though unofficial, is in harmony with this idea. He will return and report with authority on our policy in Japan and his opinions will be given credence.

Disturbing element in Canton's report is possibility, which I am reluctant to credit, that T. V. Soong has some ulterior motive. As reported my 1465, August 9, Soong told me that although he had urged upon Gimo to demand extraordinary powers of Legislative Yuan he was not sanguine Gimo would so act. From reliable sources it has come to me that he advised press, not for quotation, that Gimo planned such action. Such a forecast was subsequently headlined in press as from reliable sources.

We shall watch situation carefully, though I must reiterate my strong conviction that Gimo realizes danger of Communism and of threat from Soviet Union and will resist both with his utmost strength. He would like peace as much as anyone else in China but he will not accept peace on terms he believes inimical to interests of Chinese people or his regime.

STUART

893.24/8-1648 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, August 27, 1948—11 a. m.

1236. While I should welcome an opportunity discuss with you personally China situation, I concur your opinion expressed final paragraph urtel 1542 Aug 16. Your despatches and telegrams most helpful in their appraisal of situation and possible course events in China and your absence from China this critical stage of developments would be felt. Your return U. S. this juncture would inevitably give rise to speculation, some of it perhaps seriously harmful to National Govt, particularly if no concrete results in form increased aid followed such visit. It would probably raise hopes Gimo for immediate aid over and beyond that now being extended under China Aid Act,⁷⁹ which could be increased only through Congressional action.

Suggest, therefore, tell the Gimo you keeping me fully informed

⁷⁹ Approved April 3, 1948; 62 Stat. 158.

developments China and your presence Nanking deemed essential this critical period.

General tone Generalissimo's remarks urtel 1542 gives impression China has received little or no aid from U. S. or that what aid recd has been little value. Should he again raise this question, tell him this Govt surprised at implication in such statement, particularly since U. S. has extended over \$2 billion in aid to China since V-J Day, has provided services considerable numbers military advisors and at present engaged in further China aid program. You should point out this aid represents substantial contribution on part American taxpayer and it difficult understand Generalissimo's characterization U. S. efforts assist China.

MARSHALL

893.00/8-2848 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, August 28, 1948—11 a. m.

[Received August 30—12 : 54 a. m.]

322. Remytel 312, August 20 [19]. Two lists Peiping names published August 20 and 21 totals 324 names. Leading university president indicates about one-half already left universities presumably to enter Communist territory. Sizeable number absent Peiping summer vacation. To date of students in Peiping 62 arrested, 19 appeared voluntarily at court, 66 announced to have fled. Virtually all latter from Peita and normal college. Not yet ascertained how many released on bail and how many detained in jail.

Lists include most students with known radical inclinations. However, most student government leaders also included regardless political beliefs. Apparent one of chief Government aims break backbone student organizations.

Unarmed police entered campuses and conducted searches. No violence reported; date of trials not yet known.

On basis events and private statements two leading officials, clear that Government desired less to arrest students than to frighten them into flight. Their escape facilitated by relaxation police cordons. Authorities then had university deans announce expulsion escaped students. Then able say such students obviously Communists since unwilling stand trial. Tactics also enabled Government accomplish objective of destroying existing student government organizations.

Prevailing student sentiment compounded bitterness and helpless bewilderment. Faculty and general public opinion expect clean-up result in far calmer school year.

Sent Department, repeated Nanking 476.

TOUCHETTE,

893.00/8-3048 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, August 30, 1948—3 p. m.

[Received August 30—4:13 a. m.]

1900. Reourtel 1888, August 26,⁸¹ repeated Nanking as 1486. Police roundup Shanghai "professional students" began 27th and has resulted in arrest of 70 among whom are leaders recent anti-American demonstrations and officials student organizations. Although secrecy surrounded completion of list, majority black-listed students reported to have escaped arrest and gone into hiding. Arrested students to be moved to special criminal court for interrogation and trial.

Three Shanghai law college students arrested May 30 as sponsors Communist poster exhibit during anti-American demonstrations sentenced by Special Tribunal 1½ years imprisonment on 28th.

Sent Department 1900; repeated Nanking 1492.

CABOT

893.00/8-3048 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, August 30, 1948.

[Received August 30—4:52 a. m.]

323. Re mytel 322, August 28. Seventy-three students now being held in jail pending trial. Twenty-one others have been released on bail.

Sent Nanking 477; repeated Department 323.

TOUCHETTE

893.00B/8-3048

The Ambassador in China (Stuart) to the Secretary of State

No. 375

NANKING, August 30, 1948.

[Received September 14.]

SIR: I have the honor to enclose a memorandum⁸¹ of conversation between Dr. Li Wei-kuo, Secretary General of the Executive Yuan, and an officer of this Embassy on the subject of Chinese Government propaganda. This conversation was held shortly after the rather spectacular developments in Yugoslavia⁸² and resulted from a conversation between the Generalissimo and the Ambassador on the subject of how the Chinese Government might exploit Yugoslav

⁸¹ Not printed.⁸² Yugoslav defection from the Cominform on June 28, 1948.

developments in its propaganda concerning its own internal Communist problem.

Time and again the Embassy has noticed how Chinese propaganda organizations fail to make the best use of contemporary developments for their own internal ends and that often when they do the effort is not always presented in such a way as to secure the desired objective. Conversations held with various responsible Chinese officials on the subject of Yugoslavia very quickly revealed that although it had occurred in passing to some of them to use this situation, nothing had been done. Immediately following the conversation with Dr. Li a great barrage of material appeared in all newspapers in Government-held territory. Most of the material was well prepared and quite to the point. Its effectiveness, however, was somewhat decreased by the fact that its appearance had been too long delayed; that it appeared in many places at the same time; and that too much of it was too similar. Foreign correspondents and Chinese who oppose the government were quick to seize on these facts and there was considerable ironic speculation as to how and by whom it had been inspired.

Despite this rather unfortunate timing the Embassy is, however, of the opinion that the material which appeared did have a somewhat sobering effect and served some useful purpose. In time, a number of articles appeared in opposition liberal and left-wing magazines which took a warning tone on the implications of Yugoslavia.

Whatever the motivation it is also worth noting that Chinese Communist propaganda apart from the one statement by Mao Tse-tung has been notably silent on the subject. A Communist spokesman in Hong Kong remarked to an officer of the Consulate General there that he thought Mao's statement had been unwise and that he personally thought the Cominform action should be disturbing to the Chinese Communists.

Certainly there is no evidence as yet of an attempt by the Chinese Communists to modify various lines of policy which have been similar to those for which Yugoslavia had been criticized in line with the Cominform statement. This may be taken as further indication of a possible serious split between Mao Tse-tung and Li Li-san. Dr. Li Wei-kuo has recently said he has documentary evidence that such a split does exist and that he will shortly make this evidence available to the Embassy. One usually reliable American newspaper man has recently been in Hong Kong. He says that all the left-wing non-Communist groups assume that such a split has taken place. They cite as evidence thereof that in recent negotiations in Hong Kong between the Communists and Li Chi-shen for the convocation of a

new PCC, the Manchurian Communists have been insisting that it be held in Harbin but that the Mao group refuses to accept the proposal. Largely because of failure of the two Communist factions to agree between them the conversations with Li Chi-shen have reached something of an impasse.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor

893.00/9-148 : Telegram

*The Consul at Mukden (Rinden) to the Secretary of State*⁸³

MUKDEN, September 1, 1948—9 a. m.

[Received September 1—8:32 a. m.]

356. Recent information Communist areas: White Russian and wife who proceeded Harbin from Shanghai 1947 and succeeded escaping from Harbin August 21 report the following:

Common knowledge Harbin Communists with extensive Russian aid and supervision rushing completion Harbin-Dairen railway probably via Kirin, exact itinerary unknown to source. Russian Railway Employment Bureau [at] Harbin hiring as many Russians as possible for project at salaries substantially better than salaries generally paid Russians Harbin. Russian engineers and workmen being hired by same administration for other work, nature unknown to source, at Kirin.

Large number 4-wheeled olive drab Russian Ziss (phonetic spelling) trucks being delivered Harbin via rail. Source states he personally saw one train load such trucks and that friend with whom he lived, employed railroad, stated for past 3 months, perhaps longer, such shipments common. Opinion Russians Harbin these not for Communist Armies but being stored for possible emergency use Red Army. Trucks unloaded and driven unknown destination by Soviet Russian crews. Not seen on Harbin streets, where majority vehicles operate by charcoal.

Source states he observed substantial number incoming trains Harbin made up sealed boxcars, which railroad friends stated scheduled for unloading point beyond Harbin to east (reCondes 37, June 28 this general subject).

Russian woman acquaintance source stated upon return about August 5 from visit Aershshan (120, 47.10) she saw "many, many" definitely Russian tanks grouped under camouflage several points along Aershshan-Paichentze Railroad under custody Russian military

⁸³ Paraphrased copy transmitted to the Ambassador in the Soviet Union in Department's instruction No. 141, September 9.

personnel. No information ultimate purpose these tanks. Woman familiar Red Army equipment due Red occupation Manchuria.

Soviet Russian families coming Harbin, being lodged best houses, paid well, and substantial number Russian workmen coming Harbin ostensibly for railroad but suspected as of military origin. White Russian holders Soviet passports being discriminated against politically [and] economically. Arrest by Chinese police under orders Soviet Consulate not uncommon. Number forcible deportations Khabarovsk have occurred, one recently involving 17 men. Chinese Communist military police authorities working hand in glove with Russian re discipline Russians Harbin and atmosphere fear [and] suspicion pervades Russian community there.

Extensive export grain, fats to Soviet Union continue, to detriment Harbin food economy. Restrained inflation Harbin gaining momentum as result shortages, especially of flour and fats.

Recent labor congress Harbin marked by 2-week holiday featuring *inter alia* large pictures Stalin,⁸⁴ Mao Tse-tung, anti-American (continue message OP 324) pantomimes in parks showing Americans: (1) giving gold to Japanese for reconstruction Japanese Army; (2) as imperialists shooting women and children and stopped by Communist Army, whom Americans shown begging for mercy on bended knees; (3) persons to whom southern Chinese bow and scrape while selling out China, in contrast to "anti-imperialist" north Chinese.

Source saw only three Russian officers full dress Harbin during past year, knows of only Japanese arms coming from Russia for Communists, saw no planes over Harbin past year, ignorant of existence army air field vicinity Harbin. Kosenkina affair⁸⁵ played up Russian press Harbin as showing terrible lack freedom, etc., in U. S. High hopes built up Harbin for Wallace election.⁸⁶

Three officers this post concur source appears probably reliable re tanks Aerhshan, believes story true but question numbers impossible assess. Dominant impression interview (1) almost feverish intensity with which Russians pushing construction Dairen-Kirin Railway for Dairen-Harbin communication; (2) general conviction Harbin Russian Soviets preparing rapidly in Manchuria and contiguous areas for war, and that war coming.

Source previously known Changchun Consulate escaped Changchun August 4 states he interviewed some length by Russian in Communist army officer uniform at points south of Changchun. This

⁸⁴ Iosif Vissarionovich Stalin, Soviet Prime Minister and Chairman of the Council of Ministers of the Soviet Union.

⁸⁵ Mrs. Oksana S. Kasenkina, teacher in the Soviet Consulate General at New York, jumped from a window there on August 12 to avoid returning to the Soviet Union; see Department of State *Bulletin*, August 29, 1948, pp. 251-262.

⁸⁶ Henry A. Wallace, Progressive Party candidate for President and former Vice President.

officer reported extremely fluent in Chinese and graduated Red Army officer language training. Appears story can be ascribed certain validity and is confirmatory of other reports to effect small number Russian personnel with Communists between Mukden [and] Changchun.

Sent Nanking, repeated Department 356. Department please pass Nanking as 448 and Peiping as 191.

RINDEN

893.00/9-148 : Telegram

The Consul at Mukden (Rinden) to the Secretary of State

MUKDEN, September 1, 1948—4 p. m.

[Received 8:01 p. m.]

358. Military situation northeast remains static. Elements Communist 3d column formerly reported moving southwestwards from Hsian (ConGen 44 [444] to Embassy⁸⁷) have returned to bases near Hsian. Communist 1st column has moved closer Changchun from south presumably tighten blockade city and be in position assault should defenders show definite signs weakness: One civilian, Communist 9th column, Kowpangtze area, north Inchow, has moved northwards nearer Hsinmin area on Mukden-South Peiping rail line. Communists reported repairing all highways in Faku-Changwu-Hsinmin triangle northwest Mukden. No Communist troop movement areas South Mukden.

Sent Nanking 451; repeated Department 358, Peiping 192.

RINDEN

761.93/9-148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 1, 1948—5 p. m.

[Received 7:58 p. m.]

1612. As possibly throwing a different light on recent Chinese tendency to be susceptible to Soviet suggestions is Foreign Minister Wang Shih-chieh's statement to me that he had called in Roschin, Soviet Ambassador, and mentioned to him Roschin's announced intention to seek better understanding between the two countries and said that time had come for Soviets to live up to provisions of Sino-Soviet treaty.⁸⁸ He said he had cited to Roschin in detail various

⁸⁷ August 26, 3 p. m., repeated to the Department as telegram No. 354, not printed.

⁸⁸ Signed at Moscow, August 14, 1945, United Nations Treaty Series, vol. 10, p. 300.

incidents and numerous examples of failure of Soviets to abide by provisions of treaty and he insisted that China would be satisfied with nothing less than an official statement by Molotov⁸⁹ in respect of Russia's intentions in China and in respect of the Sino-Soviet treaty.

STUART

893.00/9-1048

*Memorandum of Conversations, by the Consul General at Canton
(Ludden)*⁹⁰

[CANTON, September 1-2, 1948.]

I talked with General Sun Li-jen⁹¹ at some length this morning⁹² at Tien Ho Airfield. He opened the conversation by asking me if I had read *The Stilwell Papers*. I assured him that I had and Sun expressed some surprise that these documents had been published. After some discussion we found ourselves in agreement that had General Stilwell lived and had been persuaded to recount his experiences in China the record would probably have taken a different form from *The Stilwell Papers* but could not have better reflected General Stilwell's steadfast honesty in face of difficulties and frustrations which would have been unbearable to a lesser man. I told General Sun that the book was still on best seller lists in the United States and reviews in responsible American periodicals had been almost universally favorable. General Sun stated that this would not be the case in China. He said that he was very pleased that these papers had been published, that they expressed feelings shared by him and many other officers in the Chinese Army, but it was a matter for regret that they would receive very narrow circulation in China unless translated and that any effort to produce a full translation would meet with many obstacles because of the direct criticisms of Chiang Kai-shek and the direct or implied criticisms of many other powerful individuals.

General Sun expressed as his opinion that no foreigner had ever understood or appreciated the Chinese soldier as had Stilwell. He considered that Stilwell, along with many other good soldiers had died for China and probably in vain. Sun then proceeded in very bitter terms to outline the deterioration of the New First Army in

⁸⁹ V. M. Molotov, Soviet Minister for Foreign Affairs.

⁹⁰ Copy transmitted to the Department by the Consul General in his despatch No. 232, September 10; received September 30.

⁹¹ Lieutenant-General Sun was Deputy Commander in Chief of the Chinese Ground Forces and Commander of the Chinese Army Training Center.

⁹² September 1.

Manchuria⁹³ under an inferior high command which had no understanding of the offensive tactics which the Chinese Army in India had learned well from the Americans and had practiced to advantage in Burma.

Sun was vehemently critical of Tu Li-ming,⁹⁴ accusing him of having allowed the New First Army to stagnate in Manchurian garrison points and refusing to consider any plans for even limited offensive operations against the Communists. Sun was particularly incensed with regard to the present condition at Changchun of the 38th Division, Sun's original command in the Second Burma Campaign.

Sun said that the 38th Division is now starving, its morale shattered, and there seems little hope that any of its valuable personnel will be salvaged. He went on to add, however, that the 38th is still carrying the brunt of all action at Changchun inasmuch as the two other divisions of the army now there are useless untrained local levies. Sun said that recently the 38th mounted an operation at Changchun which was successful in recapturing the airfield, but he expressed doubt that the Government will do anything to fly in adequate supplies, or, better still, he thought, salvage the best troops by air evacuation. Sun mentioned in this connection that he has recommended that quantities of a concentrated ration which has been tried experimentally with Chinese troops be flown to Changchun. Again, however, he expressed doubt that action would be taken.

General Sun went on to say that there are any number of good generals in the Chinese Army but they are given no authority to act. He propounded the principle that an officer must be told what to do but not how to do it and that as soon as a field commander is given a mission to perform, he should not be subject to interference from above other than to be relieved if he shows that he is being unsuccessful. General Sun said that this principle certainly does not apply in the Chinese Army and that there is constant interference from Nanking, even from the Generalissimo himself, and that no military success can be expected as long as this situation prevails.

I asked General Sun what he thought of the over-all situation in North China and he said it was his opinion that with the exception of Fu Tso-yi no field commander in the North was doing anything to fight the Communists, and that Fu Tso-yi was not receiving adequate sup-

⁹³ The Consul General at Canton in his despatch No. 49, September 10, to the Ambassador in China stated: "The deterioration of the New First Army is no new story to the Embassy, and General Sun's feelings in the matter are understandable. It is of considerably greater interest, however, that I have previously never known General Sun to be so completely embittered with regard to conditions presently prevailing in the Chinese Army, nor has he before, in conversation with me, actually mentioned specific names of officers in the Chinese Army whom he considered responsible." (893.00/9-1048)

⁹⁴ Chinese Commander in Chief in Manchuria, 1945-47.

port from the Central Government because the high command at Nanking was jealous of Fu's developing military strength and was, therefore, withholding supplies from him. General Sun said that rather than fighting a war the high command at Nanking was reverting to the war-lord days of a system of checks and balances among army commanders because officers of the high command feared for their positions.

General Sun stated categorically that it was absolutely impossible to achieve any military success when generals such as Ku Chu-tung served as Chief of Staff and General Yu Han-mou as Commander-in-Chief of Ground Forces. He considered both to be militarily incompetent and personally corrupt.

With regard to the present training scheme for three divisions at Canton, General Sun pointed out as an example that the American Army Advisory Group had sent a team here promptly as requested but were receiving little or no cooperation from Supreme Headquarters at Nanking, and none of the divisions to be trained was as yet in the proposed training areas.

On the following night (September 2, 1948), Sun dined privately with me. He recounted how on that afternoon, Major General David Barr, Chief of the American Army Advisory Group, had visited the training area at Canton. General Barr had been enraged by the pitiable condition of Chinese conscripts kept in a stockade without food or water because it was feared they would escape if allowed outside to draw rations. (General Barr recounted this same incident to me earlier in the afternoon). Sun said it was shameful to have a senior American general observe this treatment of potentially fine Chinese soldiers, but he had to admit that it was not uncommon. Sun said that if he had his way the division commander responsible would be tried and, he hoped, severely punished if not shot, but he stated that this particular officer had "friends".

Sun stated that on the following day at the request of Governor T. V. Soong he was going to a point east of the Canton-Kowloon Railway to inspect some of the Kwangtung Provincial troops recently committed to action against bandits in that area. He said he looked forward to this with some pleasure but also chagrin because, even though T. V. Soong was not a military man, he appreciated the need more than most Chinese generals for taking care of his troops if they were expected to be effective and was carrying this principle into effect.

893.00/9-248 : Telegram

The Consul at Mukden (Rinden) to the Secretary of State

MUKDEN, September 2, 1948—3 p. m.

[Received September 2—5: 01 a. m.]

361. Source at Harbin (reContel 448 to Embassy, 356 to Department, 191 Peiping) states he heard no mention, saw no evidence Cominform Harbin past year, opines it *sub rosa* if existent there. Also states at Changwu (42,20122.25) while en route Mukden Chinese railway personnel queried him if Red Russian and upon affirmative answer told him 6 Russians, including 2 officers, passed through Changwu en route Hsinlitun (42,122.04) approximately August 22. On basis other reports, believe these probably members Red Army assigned railway duty and of whom some in railway uniform which similar to military. Active Russian interest Communist railway net Manchuria appears evident if cumulative number reports this subject from varied untried sources can be given some credence. Note development railway Tsitsihar-Hsinlitun would give Communists railhead aimed at Chinchow area and threatening to successfully by-pass National Forces Mukden.

Source also states cordially received as Russian by comparatively small number Chinese and Mongolians met in Communist areas en route Harbin-Mukden via rail through Tsitsihar. Source left Communist railway at Changwu, walked to National railhead at Hsin[*min*].

Sent Nanking 454; repeated Department 361, Peiping 193. Dept please pass Nanking and Peiping.

RINDEN

893.01/9-348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 3, 1948—6 p. m.

[Received September 4—3: 59 a. m.]

1623. North Shensi radio September 1 announced formation of North China People's Government as a result of a 13-day session of North China Provisional People's Representative Congress. Announcement stated appropriate steps had been taken by Congress to implement this Government. Full text of announcement being sent by airgram.⁹⁵ Announcement omits too many details to permit accurate appraisal of significance of this development. No mention is made of area to be included. It is possible that this is merely a for-

⁹⁵ See A-223, September 8, p. 454. Despatch No. 40, September 5, by the Consul at Dairen (Paddock) to the Ambassador in China, not printed.

malization of a previously announced unification of two principal border areas which grew up during war against Japan. It seems more likely, however, that new government will control all China south of Great Wall now under Communist domination and that this move represents an attempt to coordinate Communist activities in China proper and to eliminate larger degree of autonomy which has heretofore existed in advance areas in North China. It would also seem to be related to Communist agitation for convocation of a new PPC [PCC] in Communist territory and apparently successful attempts of Communist[s] to secure participation of various prominent exiled dissident leaders in Hong Kong therein (see Embtel 1620, September 3 ⁹⁶). Announcement makes no mention of capital nor where this recent meeting was held.

Most interesting point in this attempt to establish a proper government will be to see whether it attempts to establish relations with other governments and whether it will be granted recognition by Soviet Union. Should this prove to be case, it will of course represent a major development in Sino-Soviet relations. It is difficult to see how Soviets can grant such recognition unless they are prepared to forego any chances of a closer accommodation with National Government. It is of course possible that Soviets may use threat of recognition as an instrument in persuading National Government to accept a negotiated peace which appears at moment to be first objective of Soviet policy in China.

STUART

761.93/9-448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 4, 1948—1 p. m.
[Received September 4—12:10 p. m.]

1626. On September 2 we talked with Vice Minister Foreign Affairs about significance Foreign Minister's conversation with Soviet Ambassador, Embtel 1612, September 1, 5 p. m. Vice-Minister who normally speaks more freely and with more candor than most FonOff officials on this occasion was more reticent than usual. He did state, however, that the Foreign Minister's representation was purely oral and that he confined himself to listing the various points in the Sino-Soviet Treaty of 1945 which China considers the Soviets have violated. He requested Soviet Ambassador to implement his earlier public assurances of cooperation. Vice-Minister said there was no further commitment by Foreign Minister and at present there was no intention of

⁹⁶ Not printed.

going beyond this point. He said that despite press rumors to the contrary the present trip of the Chief of the West Asia Division is not for any conversations with the Soviets and that he simply wanted to proceed to Paris for UNGA ⁹⁷ via this route since he has been in Moscow only once during the last 20 years. He added that Foreign Minister has no intention whatsoever of returning from Paris via Moscow. Vice-Minister also stated categorically that Chinese have delivered to Soviets notice of intention to terminate Sino-Soviet Agreement, but added quickly that this action of course could not preclude negotiation of new and comparable agreement. (See Embtel 1594, August 30, 6 p. m.⁹⁸). In this connection Naval Attaché ⁹⁹ has report which they rate B-2 that regardless of any formal action taken by Chinese to terminate agreement there will be an understanding which will leave situation in *status quo*. Same source states that Chief West Asia Division will hold informal and exploratory conversation in Moscow with view to possible further conversations in Paris between Foreign Minister and Molotov.

In attempting to evaluate significance of above we feel compelled to proceed on assumption that there may well be more to all this than appears on the surface. We incline to view that such conversations as may be going on now are at the moment exploratory and general in nature. We would guess that each side is feeling its way to see what the reaction will be and to make some preliminary estimate of what could be possible. While we have no reason to believe that any new and specific arrangement is actually in the making at the moment we would not be surprised if one would develop in the predictable future. Our reasons for this statement are the following: If the Soviets believe that war with the US is inevitable and will come in the relatively near future, it will unquestionably be to their advantage to have China at least neutralized and they would undoubtedly feel compelled to make fairly liberal concessions to obtain this neutrality. We believe that these concessions would include bringing sufficient pressure to bear on Chinese Communists to bring about cessation of civil war on terms the National Govt would accept. We assume that Soviets are quite capable of playing this kind of trick on the Chinese Communists if they deem it in their own best interests. We know of no reason to suppose that the Chinese Communists would be able to resist such pressure. We know furthermore that Soviet Ambassador has been extremely active in exploring with high Chinese officials possibilities of negotiated peace. We know that he has been increasingly active in making contacts with responsible Chinese on policy

⁹⁷ United Nations General Assembly.

⁹⁸ *Post*, p. 740.

⁹⁹ Capt. Samuel B. Frankel.

level. By virtue of his long residence in China and his personal acceptability to those who know him, Roschin is eminently well qualified for this assignment. British Embassy Minister-Counselor, who is generally considered as one of the best qualified observers of China scene and who by virtue of his long residence in China knows Roschin about as well as anyone ever knows any Soviet official, says he gains distinct impression that Roschin is extremely confident of his own position, his authority, his objectives and his ability to realize them. High Chinese officials are largely convinced that a Soviet-American war is in time inevitable. What would be the Chinese position in this is highly speculative. We do not feel that we can safely assume that Chinese would necessarily join us were we to become involved in hostilities with Soviets. For one thing, they would be understandably reluctant to have any part of such war fought on Chinese soil, and for this reason alone, the role of a neutral would doubtless be one which they would welcome. Also despite our numerous favors to them in past years there is little or no reason to believe that they cherish gratitude to point where they would come to our assistance without considerable prodding. We also increasingly gather the impression that those Chinese who look to eventual war between the US and USSR to solve their problems are constantly decreasing in number and that those who hope to see China remain neutral in such conflict are increasing in numbers. Indeed it is not at all difficult to conceive of China reaching an understanding with Soviets which would result in high degree of cooperation between the two countries whether or not this obtained under the guise of neutrality. To repeat we do not yet believe that any such understanding is predictably tangible but we do believe that Soviets will exert great pressure to make it so. The possibility seems sufficiently real to us that it should be kept in mind in our dealings with the Chinese. It would be difficult to justify discouraging them from seeking better relations with Soviets but we believe every opportunity should be taken to point out the pitfall of too close association with USSR.

We would add one further observation on the possibility of new Sino-Soviet understanding. This is that even though the top policy men in the National Govt are acutely aware of the Soviet menace to China there is not and never has been among the vast majority of Chinese literate opinion any very basic fear of the Russians. Even those who feel most strongly about the Chinese Communist problem do not particularly think of it in terms of the Soviets. It is unlikely that the Chinese would be happy about an alliance with any foreign power but it also seems probable that most of them would look with less disfavor on an alliance with the Soviets than with any other nation. This is a factor which must enter into the calculations of any

Chinese policy maker, and it must be admitted that by the relative absence of reference in vernacular press to Soviets except in relation to Europe the attitude is encouraged.

Sent Dept 1626, Dept pass Moscow 60.

STUART

893.00/9-748

*The Consul at Mukden (Rinden) to the Ambassador in China
(Stuart) ¹*

No. 45

MUKDEN, September 7, 1948.

The Consul has the honor to transmit a memorandum dated September 7 [6], 1948,² entitled "General Summary of the Military and Political Situation in Chinchow, China", which has been prepared by Vice Consul Fred E. Hubbard.

Chinchow is a large city on the Mukden-Peiping rail line. It is the northernmost Government-held rail road station on the Peiping-Chinchow section of the line. It possesses the only air field in Government-held Manchuria from which supplies can be flown to the isolated cities of Mukden and Changchun. Its advantage as a supply point to the Northeast can not be over-estimated—both because of its air port facilities and its close proximity to the excellent Government-held port of Hulutao.

Government occupation of Chinchow is presently blocking a potential Manchuria Communist move from the North to the vital port of Chinwangtao, from which port some 70 percent of the coal consumed in the Shanghai area is loaded for water shipment.

The Government has strengthened itself in the Chinchow area by the assignment of General Fan Han-chieh to the region, but there still is no clear cut determination of who is actually responsible for the garrisoning of the rail line from Chinchow to Chinwangtao. Lack of coordinated and capable leadership has resulted in widespread corruption in the military organizations in the Chinchow area. Improvement however has been noted since Fan replaced the former commander, and presently Governor of Jehol Province, Sun Tu, and morale of the approximately six Nationalist Divisions in the area seems good.

R. W. R[INDEN]

¹ Copy transmitted to the Department by the Consul without covering despatch; received September 23.

² Not printed.

893.00/9-848 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 8, 1948.

[Received September 17—1:20 p. m.]

A-223. Following was monitored from Chinese Communist North Shensi broadcast September 2:

"Marking a milestone in China's democratic revolution, a united democratic North China government—The North China People's Government—came into being after a 13-day session of the North China Provisional People's Representative Congress.

"By secret ballot Congress elected 27 members including Tung Pi-wu, former delegate of the Chinese Communist Party to the United Nations conference at San Francisco, Po Yi-po, representative of North China Bureau of Chinese Communist Party Central Committee, Hsu Hsiang-chien, commander of the North China People's Liberation 1st Army Group, Fan Wen-lan, well-known Chinese historian, Chen Chin-kun, a well-known jurist, and Ting Yi, a Democratic League member, as members of the North China Government Council. The remaining 12 seats are reserved for members from new regions to be liberated in North China.

"An administrative program and other bills for the North China liberated area were adopted by the Congress whose 541 representatives include workers, peasants, revolutionary army men, merchants, industrialists, professional men, new-type rich peasants, social luminaries, enlightened gentry, Democratic League members, Muslim leaders, representatives from certain people's organizations in Kmt controlled areas and women representatives.

"The Congress was presided over by a presidium of 23 including non-partisan Chen Chin-kun, Kao Chen, wife of professor Wen I-to, Democratic League leader who was murdered by Kuomintang secret police in Kunming, Democratic League members Ting Yi and Shang Yueh and Muslim Leader Ho Chi-kun.

"During sessions of the Congress, the representatives brought forth 1180 proposals regarding the formation of the new government which were hotly discussed in detail. Among the proposals adopted after voting were drafts on the organization of the North China People's Government, election of village, county and city people's representatives and organization of village, county and municipal people's governments.

"After proclaiming the establishment of the North China People's Government on the basis of a patriotic democratic united front for striking down of American imperialistic and Kuomintang reactionary rule in China, the Congress successfully closed its session on the night of the 19th."

STUART

893.00/9-848

*The Consul at Peiping (Touchette) to the Ambassador in China
(Stuart)* ³

No. 81

PEIPING, September 8, 1948.

SIR: I have the honor to refer to this office's telegram No. 478 (No. 325 to the Department) of August 30, 1948 ⁴ and to report certain information provided by two Chinese employees of the American Board Mission in Fenyang, Shansi Province, who recently travelled overland to Peiping reaching here on August 23rd. These men hold responsible executive positions in the mission's hospital and middle school in Fenyang and are regarded as dependable sources of information.

They travelled by cart from Fenyang to T'aiku and thence to Yangch'un, a station east of Yutz'u, where they boarded a train for Shihchiachuang. From there they again rode a cart to Ts'anghsien and thence northward to a point about midway between Ts'anghsien and Tientsin where they crossed over to Nationalist territory. The entire trip from Fenyang to Peiping took them twelve days and was entirely peaceful.

They reported that the Communists have the railroad running all the way from Linfen in southern Shansi to Yutz'u, thence eastward to Shihchiachuang and southeastward to Techou. In view of military operations in the Taiyuan area traffic along the T'aiku-Yutz'u stretch was temporarily limited to military trains. They were informed that the Communists expected to have the Techou-Ts'anghsien line in operation in the near future, permitting through traffic from Linfen to the area south of Tientsin.

The two men were given travel passes by the Communist authorities in Fenyang which were accepted all along their route and also were permitted to carry out personal mail and a large amount of Nationalist currency. The Fenyang Communists told them that it would not be possible to assist the Mission school out of public funds but that they were free to go to Peiping to raise money there. Moreover, they were informed that Communist agents in Peiping could help them in arranging their return trip. This offer was, however, politely declined since they feared trouble with the Nationalist authorities.

They reported that following the Communist occupation of Fenyang and T'aiku peaceful conditions have prevailed in these two cities. Up to the time they left no one had been executed by the Communists; the only persons killed died as the result of strafing

³ Copy transmitted to the Department by the Consul without covering despatch; received September 28.

⁴ Not printed.

and bombing by Nationalist planes. Fenyang had been so bombed twice and T'aiku once, they said. In the area of Shansi recently occupied by the Communists, according to their statements, there has been no *tou cheng*, no drastic land distribution, and no persecution of the wealthy. Even the two highest Nationalist officials in the region, the special administrative district magistrate (*chuan yuan*) and the county magistrate (*hsien chang*), were not harmed but were merely subjected to a Communist indoctrination course. Those who wished to leave for Nationalist territory have been freely allowed to do so, and many wealthy families fearing a future reversal of policy have left.

Upon evacuating Fenyang the Nationalist troops opened their granaries to the people. For this reason and because the Communists have not yet begun to levy taxes, the people are enjoying the most prosperous times they have known for many years. The two men stated that the Fenyang market-place was four times its former size and that business was flourishing. Silver dollars constitute the chief currency in circulation.

However, several factors have caused the people to become apprehensive as to how long the present honeymoon conditions will last. In the first place, the Communists after occupying the area immediately began to remove all military supplies westward to their stronghold in the Yu Ta Ho valley and are now also removing substantial quantities of foodstuffs. This action might well herald a withdrawal of Communist troops from the Taiyuan perimeter. However, it might be merely a precautionary measure in anticipation of a possible strong Nationalist counter-attack.

The two informants reported that the Communist troops in Fenyang and T'aiku consisted solely of partially trained militia. However, they mentioned no concrete evidence that the Communists planned to withdraw, stating that the latter had on the contrary frequently claimed that they would capture Taiyuan itself before long. Up to the time they left Fenyang the Nationalist troops had shown no signs of striking southward to recover the recently lost territory. The bulk of the people, they said, hoped that the present *status quo* would be maintained as long as the Communists continued their policy of moderation. Their greatest fear is that the region will be fought over again in the future.

They reported that the four American Board Mission workers in this area, Miss Gladys Williams and Miss Mary Dewar in T'aiku, and Miss Emma Noreen and Miss Louise Meebold in Fenyang, were being well treated and allowed freely to carry on their hospital and school activities. They plan to stay as long as they are permitted to perform useful and necessary work. The Mission's two hospitals were crowded

with civilians wounded by Nationalist strafings and with some Nationalist soldiers; the Communists had their own military hospitals. The Communist authorities have granted permission for the Mission's schools to reopen this fall, with the proviso that nothing of an anti-Communist nature be taught. Weekly church services are permitted, and the Communist authorities have posted notices on all Mission property ordering that it not be molested in any way. The two men reported that the Communist leaders had said they would take steps to protect all missionary personnel and property after they took Taiyuan. They believed that the lenient attitude of the Communist leaders might be due in part at least to the fact that some of them had been educated in Mission schools in Shansi.

The men mentioned that while on their trip they saw a pamphlet containing a speech by Mao Tse-tung, dated December 12, 1947, which in the name of the Communist Central Committee, reproved local cadre for undue harshness and for carrying *tou cheng* too far. The speech ordered that in the future no one was to be killed, and that where people's property had been confiscated to too great an extreme, a portion of it should be returned (this applied only to such property as household furniture and personal effects and not to land). It also contained instructions that private business should be encouraged to a greater extent. Notwithstanding this pamphlet, they reported, drastic *tou cheng* was still the rule in the areas of Hopei through which they travelled.

According to them, crossing the lines between Ts'anghsien and Tientsin is a simple matter and there is considerable two-way traffic in commodities over this route. Taxes are collected on both sides of the line. Cotton comes northward, while sugar and tea are shipped southward to the Liberated Areas.

The attitude of the Communist officials towards America that they encountered faithfully followed the standard Communist line. They only opposed the present American Government, they argued; the bulk of the American people were good as witnessed by the existence of persons like Wallace.

Respectfully yours,

JOSEPH I. TOUCHETTE

893.00/9-1448: Telegram

The Consul at Mukden (Rinden) to the Secretary of State

MUKDEN, September 14, 1948.

[Received September 14—9:08 a. m.]

369. Communist forces began small scale offensive Chinchow-Shanhaikwan section Mukden-Peiping rail line. Minor engage-

ments occurred September 12 near rail stations Hsingcheng, Suichung and Chihhsi. Communist division attacked Government troops at Yih sien, North Chin show, same date. All action limited scope and undertaken by troops presently in area. No large-scale Communist troop movement into area. Offensive, however, succeeded inflicting heavy damage Chinchow-Shanhaikwan section rail line near Suichung. Heaviest damage north that city.

Sent Nanking 471, repeated Department 369, Peiping 197.

RINDEN

893.00/9-1448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 14, 1948—4 p. m.

[Received September 15—1 : 06 a. m.]

1680. During first week of September North Shensi news agency broadcasts reported in detail on achievements of North China Provisional People's Representative Congress and hailed inauguration of North China People's Government as milestone in China's democratic revolution.

While admitting that Congress was only provisional in nature and limited to North China, much stress was placed on importance of undertaking political, economic and cultural construction that area. Emphasis was placed on idea that people were masters of their own destinies and that Congress was a truly democratic [one] and devoid of any discrimination of race, creed or sex with members of all classes and groups represented in Presidium. In further attempt to prove this point it was argued that U. S. while claiming to be most democratic state subjected Negro population to numerous racial and political discriminations.

Accomplishments of past 2 years by governments of two border regions were reported on in detail. In work of supporting front main stress placed on great number enlistments in Army and high political consciousness of peasants. Progress in land reform, agricultural and industrial production and economic reconstruction were highlighted.

Kmt currency reform measures came under attack as "unprecedented fraud" and attempted despoliation of people's wealth engineered by Chiang Kai-shek and four families. It was maintained that measures were last desperate attempt of "Chiang Kai-shek's gang" to swindle people of all gold, silver and foreign exchange and amass wealth of country in Central Bank, allegedly "treasury of four families" in preparation for their flight abroad before final defeat.

Gold yuan note was ridiculed as lacking reserves and being unredeemable for gold or foreign currency. While admitting that "Kmt suppression and deception and American imperialist material aid" might have temporary dulling effect, it was predicted that currency reform would accelerate economic bankruptcy skyrocketing prices, revival of blackmarket and speculation and outcome would be final collapse of Kmt "reactionary rule".

Founding of All Chinese Federation of Labor was hailed as most significant achievement of Sixth All China Labor Congress. According to one report, two most important provisions of program were for direct participation of workers in management of all public enterprises through "democratically elected factory administration committees" and direct workers representative conferences. Emphasis was placed on cooperative pooling of workers' knowledge and experience, establishment of minimum scales of wages, hours and conditions, system of graduated wages based on skill, output and technique, equal pay for women, safety provisions, education and technical training. All technicians and experts from Kmt areas were invited to join people in "industrial construction of liberated areas".

In broadcast to All Overseas Chinese, Labor Congress appealed to industrialists and businessmen to unite with people of China and join fight for freedom from Kmt rule. Kmt regime flayed for attempting convert China into colony of American imperialism and plunge whole Chinese people at home and abroad further into life of slavery.

War communiqués continued to play up Kmt losses on all fighting fronts with occasional reference to capture of Japanese soldiers fighting with Kmt troops. Reference was also made to continued bombing and strafing of Yellow River dyke workers by "American-made planes".

Sent Department as 1680, repeated to Moscow.

STUART

893.00/9-1548 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, September 15, 1948—5 p. m.

[Received September 15—8:09 a. m.]

260. Remytel 451 [450], to Embassy, September 14.⁵ Main Communist effort against railway between Shihmen and point few miles east of Changli, stretch of about 25 miles. Communists also said active east of Luan River bridge and landing force damaged two bridges between Kuyeh and Luanhsien.

⁵ Repeated to the Department as telegram No. 258, not printed.

Heavy Government rail troop movements east through Tientsin yesterday and today, believed 16th Army sent by Fu Tso-yi to assist 62nd and 92nd Armies now in Tangshan in Luanhsien area. Railway opened east to Kuyeh; traffic to Peiping normal.

Military here believe Communist attack designed cut railway to stop Government reinforcements to Manchuria where Communists reported active against railway.

Damage to railway in sector attacked believed serious.

According KMA ⁶ report from Chinwangtao, Changli attacked yesterday morning by Communist 4th Division plus 11th [Regiment], 3 from unidentified formation. Little opposition expected from local volunteer defense force. KMA also reported 60th [Regiment] from new Fifth Army in action against Communists, strength unknown, at Chienwai on railway 25 miles outside Shanhaikwan outside wall. Military confident with arrival Government [*Fu's*] troops, Communists will be pushed back.

Sent Nanking 455, repeated Department 260.

SMYTH

761.93/9-1548: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 15, 1948—5 p. m.
[Received September 16—1:10 a. m.]

1692. We have received further information from usually reliable source which helps somewhat to elucidate some of the blank spots and confusion which were described in Embtels 1626, September 4, 1 p. m. and 1660, September 9, 6 p. m.⁷ concerning Sino-Soviet relations. This information is that a new clique is forming around Foreign Minister, Minister Commerce Yu Ta-wei, Secretary of Executive Yuan Li Wei-kuo, Vice Minister Foreign Affairs George Yeh and Foreign Office Chief of Protocol C. H. Shen. The objective of this clique is to avoid entanglements with the US or the Soviet Union. This group hopes that when war between the US and USSR, which they believe inevitable, actually takes place it will be possible for China to remain neutral.

We also learn that Foreign Minister and Soviet Ambassador have recently had several long conferences and that they have gone to considerable pains to keep these meetings secret. Also fitting into this picture is the report that the proposed ban on operation of Attaché planes in China was instigated by Foreign Minister (see Embtel 1571,

⁶ Kailan Mining Administration.

⁷ Latter not printed.

August 25⁸) and that Gimo was incensed that such action should be initiated without his approval. He is reported to have ordered its cancellation. On the other hand Vice Minister Foreign Office asserts Gimo and Ministry National Defense issued the order and Foreign Office fought it unsuccessfully. We incline to think latter assertion is untrue.

The above would seem to fit into pattern of a dominant group in Foreign Office which desires neutrality in the event of a Soviet-American conflict and is therefore prepared to go to considerable lengths in appeasement of the Soviets. There is also possibility that this group in seeking justification Soviet appeasement policy will through force of circumstances develop anti-American or at least less friendly orientation. Certain members of group [who?] already hold ideological affinity Marxism express doubts over basic motivations American policy and tend place on US present disturbed international situation. Just what strategy group will use in advancing its position and gaining wider acceptance its views is not yet clear. It is likely they will attempt receipt support in Government circles. One well qualified Chinese observer believes they may attempt replace Wong Wen-hao by Wang Shih-chieh. There is no evidence immediately available to suggest existence of comparable organized group opposed to Soviet appeasement though anti-Soviet sentiment is known to be strong in military circles. Despite his statement that China cannot afford at this time to antagonize the Soviets unduly we believe that basically the Gimo is pro-American in his orientation. He will, of course, continue to be subject to great pressures from all directions and it is difficult at the moment to say which is the more likely to prevail. One important factor in his thinking will be the influence of his son Chiang Ching-kuo who is presently making an enviable record for himself in Shanghai in connection with enforcement of economic relief measures. There is some evidence that suggests that Chiang-kuo is fundamentally pro-Soviet in his attitude. A recent speech he made in Shanghai to the Youth group⁹ very definitely showed the effects of his early Soviet training. Another strong influence will doubtless be the development of a Communist government in North China and the threat of Soviet recognition thereof (see our 1623, September 3, 6 p. m.).

We agree with Moscow's 1934, September 10, 4 p. m.¹⁰ that such recognition is not imminent. On the other hand we continue the belief that Soviets seek eventual control all China through coalition (our 1472, August 10, 10 a. m.). Under coalition agreement Soviets might well arrange to [with?] them sufficiently benevolent Chinese neutrality

⁸ *Post*, p. 738.

⁹ For summary, see telegram No. 2002, September 13, from the Consul General at Shanghai, vol. VIII, "Financial Relations".

¹⁰ Not printed.

to warrant them to forego use of Chinese territory for military operations in event outbreak of hostilities with West. This would raise, of course, the question of whether our interests would be better served by Chinese.

Department pass Moscow 65.

STUART

893.00/9-1648 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 16, 1948.

[Received September 23—2:07 p. m.]

A-229. In mid-summer the Chinese press carried the story that the Chinese Communist radio on 4 successive days had broadcast a message from Chou En-lai¹¹ to Chang Chih-chung¹² in Lanchow which allegedly apologized for the earlier Communist attack west of Sian and into Kansu. This message is supposed to have said the attack was a mistake and that as long as Chang Chih-chung remained in command of that military district it would not be repeated.

On September 4 the North Shensi Radio in its daily news service carried a denial that any such message had ever been sent to Chang Chih-chung. It charged that the entire story was a fabrication of the CC Clique designed to bolster the position of the Generalissimo whom it said the United States would like to replace with a cabal composed of Li Tsung-jen, T. V. Soong and Ho Ying-chin¹³ because the United States has lost faith in the Generalissimo.

In August Mr. Henry Lieberman, *New York Times* correspondent for China, called on Chang Chih-chung in Lanchow. He asked him if he had in fact received any such message from Chou En-lai. Chang said he had and when Lieberman asked him how any such thing could happen with a civil war going on, Chang merely laughed and said "Oh, we are old friends."

It would seem, therefore, that such a message was sent and it furthermore seems not impossible that Chang Chih-chung and Chou En-lai are in occasional correspondence. Our evidence suggests that earlier in the summer there probably were peace negotiation feelers on a low level. These feelers obviously failed and it seems not unlikely that the recent Communist denial of the Chang Chih-chung story is designed to cover up the failure of the attempted negotiation and at the same time to exploit the earlier rumors to the disadvantage

¹¹ Member of the Central Committee and of the Politburo of the Chinese Communist Party.

¹² Director of Generalissimo Chiang Kai-shek's Northwest Headquarters.

¹³ Chinese Minister of National Defense.

of the United States as well as to create an impression that there is a major serious split in the National Government.

STUART

S93.00/9-1748 : Telegram

The Consul at Mukden (Rinden) to the Secretary of State

MUKDEN, September 17, 1948—4 p. m.
[Received September 17—11:45 a. m.]

373. Communist attack Chinchow area centering around Yih sien, 30 miles north Chinchow, where Communists have isolated one entire Government division of 93rd Army. Immediate Chinchow area quiet. On September 14 small Communist unit succeeded infiltrating Chihsi-Hulutao spur of Mukden-Peiping rail line. Spur line cut two places but counterattacking Government units forced Communist withdrawal and rail line immediately repaired. Press reports heavy damage done Hsingcheng-Suichung section Mukden-Peiping rail line.

Government forces launch minor raids from Liaoyang, south Mukden. Small scale attacks indicates sole purpose action secure food producing area presently held by Government.

Sent Nanking 483, repeated Department 373, Peiping and Tientsin.

RINDEN

S93.00B/9-2248 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 17, 1948.
[Received October 1—3:12 p. m.]

A-233. Further evidence of a modification in Chinese Communist tactics, as reported in Embassy Despatch No. 267 of June 9, 1948, is contained in the North Shensi Broadcast of August 31 with an announcement that agrarian reform had been suspended in the central plains area, meaning presumably that region centering around Honan, and in place of it there would be a reduction in rents and interests. These measures were taken under the instructions of the Central Committee of the Chinese Communist Party which stipulated at the same time that benefits already gained by the peasants should be guaranteed.

An editorial of the *West Honan Daily*, organ of the Chinese Communist Party Central Committee's Central Plain Bureau, justified these measures on the grounds that newly liberated areas have not yet sufficiently matured nor have the peasants been prepared ideologically and organizationally to justify agrarian reform. The reduction of rents and interests is the first preparatory step. The reduction of rents and interests will lighten the burden of the peasants and allow them to

be prepared ideologically. Furthermore, the agrarian reform does not seek to eliminate landlords as such but to eliminate them as a class relying on the feudal system. It also is designed to form landlords into useful working people, industrialists and merchants.

This development seems to us further confirmation that the Chinese Communists are having their own serious internal political and economic troubles and that they are increasingly impressed by the necessity of consolidating their position in areas they now control before they can afford to expand territorially.

STUART

893.00/9-2048 : Telegram

The Consul General at Tsingtao (Turner) to the Secretary of State

TSINGTAO, September 20, 1948—11 a. m.

[Received September 21—1 : 56 a. m.]

142. Reference Tsinan battle, Commies reported within 2 miles of city wall to East, meaning they are inside main defense line that area. On South, Commies have captured hill which enables them infiltrate and fire on old and new airfields. CAT¹⁴ withdrew planes to Tsingtao morning September 18, continues render support to them. Last CAT flight left Tsinan morning September 18 under small arms fire.

That there has been real fighting is witnessed by long lines wounded and trucks bearing dead seen returning to city. Disorganization apparent among National forces on first 2 days now claimed overcome. CAT native staff Tsinan asserts population believes Commie victory inevitable, thus hope will come soon and without destruction. Up to 8 Commie columns in attacking force with perhaps 2 in reserve. Few grounds for optimism unless Wang Yao-wu¹⁵ assumes offensive. This should be possible view ample supply ammunition and minor disparity in strengths of defending and attacking. Nationalists have 2d, 73d and 84th Divisions and 19th and 57th Brigades, totaling around 80,000 men, plus 40 to 50,000 local troops in very restricted perimeter. Commies probably numerically superior by only one-third.

Sudden cessation air service Tsinan prevents departure of the few foreign residents desirous of leaving. Americans number eight. List names follows in separate message.¹⁶ Presume Embassy has seen ComNavWesPacs¹⁷ conference 190631Z.¹⁸

¹⁴ Civil Air Transport.

¹⁵ Commander of the Second Pacification Area and Governor of Shantung.

¹⁶ Not found in Department files.

¹⁷ Commander in Chief, U. S. Naval Forces, Western Pacific.

¹⁸ Not printed.

Sent Nanking 269; repeated Department 142.

TURNER

893.00/9-2148: Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, September 21, 1948—3 p. m.

[Received September 21—5:18 a. m.]

267. Re my 467, September 20.¹⁹ KBA [KMA] reports situation Chinwangtao returning to normal, Communists retiring, Peitaiho and Liushouying reoccupied by Government troops. Several bridges damaged, bridge 106 over Yangho seriously with four of seven spans blown. Railway at Chinwangtao hope slow traffic may resume 2 weeks but doubtful.

Chinese press today reports Government forces from east and west have met near Liushouying, but situation Changli uncertain.

One aim recent Communist attack apparently to wreck again railway east of Luan River only just restored to fairly good service after Communist attack in June. Unless more troops are provided, possibly by Nanking giving arms to some of Fu Tso-yi's partially trained but unarmed militia, there seems nothing to prevent future Communist attacks in same area for same purpose. If nothing is done, little coal can be sent to Chinwangtao for shipment Shanghai and Tsingtao.

Sent Nanking 472, repeated Dept 267, Shanghai 458, Peiping and Mukden.

SMYTH

893.00/9-2148: Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 21, 1948.

[Received October 7—2:10 p. m.]

A-234. Legislative Yuan on September 14, by overwhelming vote of 304 to 2, turned down Gimo's request for confirmation of declaration of martial law in Peiping proclaimed by Marshal Fu Tso-yi on July 5 following student shootings on same day. This vote was based on article 39 of Chinese Constitution which requires President to declare martial law with approval or confirmation of Legislative Yuan. Vote was taken after only about one hour of fiery speechmaking and reflects nationwide interest in and resentment over the incident. This

¹⁹ To the Embassy in China; repeated to the Department as telegram No. 264, not printed.

is first issue in this new session over which Legislative Yuan has opposed Executive Yuan as it consistently did during its first session earlier this summer.

Insubordination essentially represents slap in face to Gimo and criticism of manner in which his administration has handled student problems in Peiping. It is also in line with findings of Control Yuan which has made its own investigation and concluded that official report of Government constitutes gross exaggeration of circumstances leading to shooting and unjustified exculpation of guilty officials. Vote thus holds door open for punishment of three Peiping officials whom, the Embassy has learned from reliable source, the Control Yuan indicted on about August 26 as result of its investigation. These officials are: the Deputy Police Commissioner of Peiping; Ch'en Chi-ch'eng, Garrison Commander of Peiping; Chao Chang-yen, Commanding Officer of the 208th Youth Army, the group which actually fired on the students. This source added that the indictment recommended that first two officials be removed and the third be sentenced to death. In this connection, Gimo previously rejected the resignation of Fu Tso-yi on grounds that latter bears no guilt.

Embassy has learned from both press and local sources that Gimo was incensed by this rebellion and immediately summoned Dr. Sun Fo, President of Legislative Yuan, whom he blamed for defeat and whom he ordered to force approval of the declaration of martial law through the Legislative Yuan. This Sun Fo refused to do and departed for Shanghai where he still remains. In consequence the responsibility for complying with the Gimo's order automatically fell on Chen Li-fu who had just returned from his trip abroad and who presided over the Sept 17 meeting in his capacity as Vice-President of the Legislative Yuan. From the press it is known that Sept 17 meeting of the Legislative Yuan did not reconsider the issue and it seems likely that Chen Li-fu could not muster enough votes and preferred to leave the matter dormant rather than to risk a second defeat. It is not known how the Gimo now feels about the rebellion, but it may well be that as a matter of face-saving he will wish to force the issue later if sufficient votes can be obtained.

This rebellion is significant as manifestation of discontent festering among ranks of even Gimo's closest supporters and may well be the portent of its future activities.

STUART

CHAPTER VII: SEPTEMBER 22–NOVEMBER 4, 1948

Revival of large-scale military activities in Shantung, Manchuria, and North China; Communist capture of Tsinan, Chinchow, Changchun, and Mukden; desperate position of Government forces

893.00/9–2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 22, 1948—1 p. m.

[Received September 22—5 : 26 a. m.]

1744. Past week has seen revival large-scale military activities in Manchuria, North China and Shantung Province with Communists resuming offensive. Between Mukden and Chinchow, Communist build-up now totals at least three columns. One column has attacked and isolated Ihsien, although Nationalists now in process restoring communications with this garrison. Coastal corridor between Chinchow and Chinwangtao has been cut in three places by Communists who have now been driven back to their bases in mountain range paralleling coast and railway communications have been restored. Communists retain capability to repeat raids on railroad. Their intentions in Chinchow area are still not clear. On basis present information it does not appear likely that they will attempt a reduction of large Nationalist concentration in this area although they may succeed in preventing any offensive cooperation between Fan Han-chieh and Wei Li-huang.²⁰ Latter has informed Ministry National Defense that he will under no circumstances take offensive until present harvest completed in areas under his control.

Government forces yesterday claimed to have regained control of railroad between Kailan mines and Chinwangtao, driving Communist forces totalling 1 division and 1 column from Changli. Railroad has been badly damaged and will not be serviceable for coal shipments for some time. In this area Communists retain capability further disrupt railway traffic and will probably continue to do so.

Major Communist offensive is assault on Tsinan, involving employment of at least eight columns with assigned artillery. Nationalists have lost at least one full division and have now retreated within city wall. Large Communist forces are so disposed as to effectively block Government forces in Hsuechow area from relieving Tsinan. Fact that Chen Yi,²¹ Chu Teh,²² Mao Tse-tung,²³ are all reportedly in general vicinity Tsinan and careful disposition Communists' blockading

²⁰ Vice Commander and Commander in Chief, respectively, of the Northeast Bandit Suppression Headquarters.

²¹ Communist army commander in Shantung area.

²² Commander in chief of Chinese Communist armies.

²³ Chairman of the Central Committee of the Chinese Communist Party.

force north of Hsuchow, together with weight of Communist assault indicates seizure of Tsinan is major Communist objective (local press report today alleges this all-out effort is because Communists intend use Tsinan as site their puppet government). There is little hope that defending garrison can resist for long.

On complete reduction Tsinan, it appears likely that Communists will commence offensive against Hsuchow area. As presently disposed, Communist Army north of Lunghai railroad can hold down Government forces stationed from East to West along that line or can compel their concentration in and about Hsuchow city. Such an operation would be facilitated by considerable Communist forces south of the Lunghai. Unless Government's high command shows better generalship than has been case in past, it is reasonable to expect that within next few months, depending on Communist timetable, Hsuchow garrison will be isolated as was Tsinan.

Principal effect of loss of Tsinan by Government will be political and economic in character. Since city has been isolated it has had little if any military significance. In Communist hands it will, since it is a provincial capitol, be a political base of importance for consolidation of their control of Shantung. Also they will undoubtedly seize much material and some badly needed industrial potential. On other hand, Government will have again demonstrated its military weakness with a resultant further loss of popular confidence in its power to survive politically and economically.

Sent Department 1744, pouched Consulates China.

STUART

893.00/9-2248 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, September 22, 1948.

[Received September 22—8:18 a. m.]

347. Communist Hsin Hua station on September 21 broadcast a statement specially directed to people of Tsinan. Summarizing, statement promised:

1. The Liberation Army will maintain strict discipline over its troops and undertake to protect the life and property of all classes. All citizens urged to remain at posts and maintain order.

2. The Liberation Army will undertake to protect all native industry, business and private capital and urges them to continue operating as usual.

3. All publicly owned commercial, industrial, and financial enterprises will be taken over by the democratic government if found to be of a bureaucratic capitalist nature. Portions belonging to native capitalists will be restored to owners. It is hoped all employees of such

enterprises will continue on jobs; all law-abiding elements will be reappointed by the democratic government.

4. The principal officials and the employees of public utilities and of educational, religious, and cultural institutions shall be protected by the liberation army and will not be molested. It is hoped they will continue at their posts.

5. Provincial, municipal, and hsien government officials and *paochia* personnel shall not be arrested unless they offer armed resistance. They should continue at their jobs and be responsible for the safeguarding of official records. They will be employed individually.

6. The life and property of foreign Consulates and their personnel as well as of other foreign residents will be protected, provided they observe the regulations of democratic government and refrain from serving as enemy spies, sheltering war criminals, or engaging in other subversive action.

7. All public organizations and people of all classes should take joint responsibility in maintaining peace and order. Rewards and punishments will be made accordingly.

TOUCHETTE

893.00/9-2248 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, September 22, 1948—3 p. m.
[Received September 22—7:33 a. m.]

348. Reliable informers and observers in Peiping state that as General Yeh Chien-ying, Communist Chief of General Staff and onetime Red representative [at] tripartite Executive Headquarters Peiping during General Marshall's Mediation Mission in China,²⁴ is personally directing present violent assault on Tsinan, reason to believe there may be truth statements made and reported confirmed by captured Communist officers that Chinese Communists determined capture Tsinan to make city spot of projected political consultative conference of all anti-Kuomintang parties and subsequently capital of coalition government comprising dissident groups and Communists.

Sent Department 348, repeated Nanking 515.

TOUCHETTE

893.00/9-2248 : Telegram

The Consul at Mukden (Rinden) to the Secretary of State

MUKDEN, September 22, 1948—3 p. m.
[Received 11:47 p. m.]

378. Present location Communist columns (armies) northeast as follows: 1st, north Changchun; 2d, Ssupingkai; 3d, Hsian, west

²⁴ General of the Army George C. Marshall was Special Representative of President Truman in China, December 1945–January 1947; for correspondence on this subject, see *Foreign Relations*, 1946, volumes ix and x.

Ssuping kai (information indicates this column preparing move southwards possibly to area north part Mukden between Fushun and Tiehling); 4th, Kowpangtze on Mukden-Ppg²⁵ rail lines; 5th, Chingyuan, east of Fushun; 6th, Kirin, may soon be moved southward to Meihokou area; 7th, north Yihsien; 8th, exact location unknown but generally in [Jehol-Liaoning] border areas; 9th, south Yihsien; 10th, Kaiyuan; 11th, north Hopei, probably near Changli; 12th, west Changchun. Important troop movements recently have been 7th and 4th Columns to Chinchow area.

Communists continue attack Yihsien. Isolated Government division in city suffering heavy casualties. Communists attacking from south with two divisions 9th Column. Other division same column between Yihsien and Chinchow blocking Government effects [*efforts?*] relief from south.

Units Communist 7th Column north Yihsien blocking possibilities isolated Government division withdrawal northwards.

Communists launched minor attack Yingpan, east Fushun, September 20. Attack repulsed by Government defenders.

Government offensive (Contel 483 to Embassy, repeated 198 [373] to Department, September 17) very minor in nature and offensive action has now ceased.

Immediate Chinchow, Chinhsi, Hulutao areas remain quiet.

Sent Nanking 494, repeated Department 378, Peiping 202.

RINDEN

893.00/9-2348 : Telegram

The Consul General at Tsingtao (Turner) to the Secretary of State

TSINGTAO, September 23, 1948—3 p. m.
[Received September 24—11:20 a. m.]

145. Tsinan defenders in desperate position as of September 20. Nats now control less than one-third of new west city and Commies have broken into old walled city at northwest corner, destroying the power plant. Another large concentration of Commies is forming near southeast corner old walled city. No info as yet on use by Commies of heavier artillery than 75's and mortars. Anticipate Commies will try capture city without artillery destruction but if stopped by Nats for any length of time will probably resort to it to insure capture. Defection of Wu Hua-wen²⁶ was serious blow to Nats causing perhaps earlier loss of airfield and Commie entry into west city. However, Nat debacle to date only in small degree due this factor.

²⁵ Peiping.

²⁶ Commander of the Chinese 84th Division.

Wang Yao-wu ²⁷ urgently requested CAF ²⁸ and CAT ²⁹ bomb western section of new west city. CAF sent one C-47 last night with bombs after having bombed and strafed on southeast side of city during day. General impression is that CAF determined render minimum air support, Tsinan commander having been quoted earlier as saying CAF would do no night flying regardless of conditions. At same time CAF interferes with CAT operations to Tsinan.

Ammunition to be dropped Tsinan view early loss of main depots southwest of urban area and main arsenal.

CAT dropping rice today. Flights scheduled for yesterday were cancelled at request Wang Yao-wu view his uncertainty what areas of city he controlled, thus indicating great confusion and very poor communications.

Local military leaders do not expect Tsinan hold out more than week to 10 days. Ho Ying-chin, Min. Defense, spent 3 hours yesterday with Badger ³⁰ aboard flagship in company Gen. [Barr] ³¹ and RAdm. Old. ³² Ho departed by air late afternoon.

Local Chinese expect Tsinan fall soon. Economic reaction already apparent here in disappearance many foodstuffs from open market and widespread sale such items at black market prices.

Sent Nanking 275, repeated Department 145.

TURNER

893.00/9-2348

The Ambassador in China (Stuart) to the Secretary of State

No. 401

NANKING, September 23, 1948.

[Received October 8.]

SIR: I have the honor to inform the Department that one of the major and increasingly serious problems now facing the Chinese Government is that of refugee students from Communist areas. These students have not only become a serious economic problem for the Government but also constitute an unruly element disturbing civil order and creating confusion. In this connection reference is made to various telegrams and despatches from the Consulate General in Peiping on the July 5 incident. ³³ There is enclosed a memorandum ³⁴

²⁷ Commander of the Second Pacification Area and Governor of Shantung.

²⁸ Chinese Air Force.

²⁹ Civil Air Transport.

³⁰ Vice Adm. Oscar C. Badger, Commander in Chief of the U. S. Naval Forces in the Western Pacific (ComNavWesPac).

³¹ Maj. Gen. David G. Barr, Chief of Army Advisory Group (AAG).

³² Rear Adm. Francis Old, Chief of the Naval Division of the Joint U. S. Military Advisory Group.

³³ See telegram No. 261, July 6, from the Consul at Peiping, p. 338.

³⁴ Not printed.

concerning a recent incident in Nanking which illustrates the kind of disorder which from time to time breaks out in this city.

The magnitude of the refugee student problem in Nationalist China is a relatively new development. During the first two years following the termination of the war against Japan, the major tendency of movement of population, particularly among student groups, was away from Nationalist China and toward Communist areas. With the exception of a small trickle, this movement has now largely stopped and in its place there is a growing flood of students out of Communist areas. The Ministry of Education estimates that at the present time there are between 20 and 30 thousand refugee students in Peiping, 20 thousand in Nanking and perhaps 10 thousand in Hankow. These figures do not include refugees who came out earlier and have since been moved elsewhere. A very high proportion of them are middle school students.

The problem which confronts the Ministry of Education is what to do with them since they arrive largely destitute and expect to be subsidized and permitted to enter one of the principal universities in Peiping or the Yangtze valley which are unable to provide them instruction. The current crop in Peiping has come almost entirely from Manchuria. The exodus started late last spring when word got around in Communist areas that the National Government was making preparations to take care of refugee students. The Ministry did not anticipate a flood of this magnitude. The large numbers of refugees in Nanking and Hankow came largely from Honan and Shantung as a result of the fighting in those areas in the spring. The Ministry is attempting to move the students in the Peiping area to any part of the country to which transportation may be available and the ones in the Yangtze valley into South China, primarily along the Canton-Hankow Railway. Students are most reluctant to follow the Ministry's directives and it is only under strong compulsion that they do so. A further problem is that adequate preparations to take care of them have not been made and adequate food, clothing and shelter are lacking. Efforts to enlist the students in the army encountered traditional reluctance, which was matched only by the reluctance of the army to have them. As a result of its experience with the student divisions the army takes a very poor view indeed of students as soldiers. Meanwhile, the students, who have nothing to do, and only the barest subsistence of living, vent their dissatisfaction and discontent in disorders such as those referred to above.

The interesting point is that such large numbers of the students who formerly moved to Communist areas are now coming back. The only interpretation which can be put on this change is that conditions for students in Communist areas are by no means as idyllic as Communist propaganda would have one believe and that, in fact, they must be

sufficiently bad to compel students to migrate into government areas. As far as we are aware, even their presently bad situation as refugees is not enough to compel any of them to return. We would have supposed that Nationalist propaganda would have seized on this development as an outstanding example of conditions in Communist areas and would have used a number of case studies to illustrate the point. Unfortunately, the contrary is the case. The entire effort in the Chinese press is to play down the fact that there are any refugee students and to minimize their condition. Apparently the Government prefers to cover up its own shortcomings at the expense of what it might gain by emphasizing conditions in Communist areas.

Respectfully yours,

For the Ambassador:
JOHN WESLEY JONES
Counselor of Embassy

893.00/9-2548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 25, 1948—1 p. m.

[Received September 25—4 a. m.]

1764. Government spokesman, otherwise unidentified to us, has informed American correspondent that Tsinan fell on night 23 September with no subsequent resistance. Wang Yao-wu was captured. Sino press was asked to keep news secret on grounds relief columns might still be able reach city.

According to local vernacular press, at 24 September session Legislative Yuan, General Ku Chu-tung³⁵ assured legislators of Government determination hold Tsinan and that large force was proceeding to relieve city according to plan. Ho Ying-chin assured legislators of his personal responsibility in conduct military affairs. Both statements received with great approbation.

Precise nature repercussions on Government of loss Tsinan difficult foresee, but will certainly be serious, particularly since Government spokesmen announced to Legislative Yuan their determination hold Tsinan after city had fallen. Public confidence in Government ability survive, already sorely tried, must reach new low, and will almost certainly be felt immediately and severely in economic sphere. Also, since Hong Kong dissidents departed for Communist territory on or about 13 September, (Hong Kong 184 to Department,³⁶) it appears likely Tsinan may be site new PCC,³⁷ thus inaugurating new phase in Communist-Nationalist political conflict in which Communist Govern-

³⁵ Chief of Chinese General Staff.

³⁶ September 23, 3 p. m., not printed.

³⁷ Political Consultative Conference.

ment appears representative of the factions and has greater claim to wider recognition.

STUART

893.00/9-2748 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, September 27, 1948—3 p. m.

[Received September 27—3 : 52 a. m.]

384. On September 26 advance Communist units attacked Government outposts guarding airfield 5 miles southwest Chinchow. Heavy fighting reported. CNAC³⁸ discontinued flights and abandoned some 40 drums aviation gas Chinchow morning September 26. AAT [CAT] forced discontinue flights and abandon approximately 400 drums aviation fuel on field late evening same day. Approximately 400 tons ECA³⁹ flour still stored field awaiting air lift for distributing essential industries Mukden. Chinchow under martial law. Streams refugees reported moving southwards from Chinchow towards Hulutao. Government artillery guarding Chinchow air strip withdrawn air strip proper late evening September 26. Rail line Chinhsi-Hulutao reported cut night September 25.

Chinese G-3 states today military situation Chinchow airfield has improved such extent all airplanes again using airfield.

Sent Nanking 507, repeated Department, Peiping 206, Tientsin 118.

WARD

893.00/9-2848 : Telegram

The Consul at Peiping (Touchette) to the Secretary of State

PEIPING, September 28, 1948—noon.

[Received September 28—4 : 33 a. m.]

352. Remytel 351 to Department, September 27.⁴⁰ Am today informed all banks, post office, GSA equipment, official and semiofficial organs evacuated Paotow September 27 on orders Kweisui authorities and National troops have withdrawn.

Repeated Nanking 526, Shanghai 378.

TOUCHETTE

³⁸ China National Aviation Corporation.

³⁹ Economic Cooperation Administration.

⁴⁰ Not printed.

S93.00/9-2848 : Telegram

*The Consul General at Tientsin (Smyth) to the Secretary of State*TIENTSIN, September 28, 1948—5 p. m.
[Received September 28—6:07 a. m.]

273. Re my 482, September 24.⁴¹ Changli reoccupied by Government forces. Railway open east to Shihmen, west to Liushouying; between these points heavy damage, many bridges wrecked.

Despite press reports, apparently not much fighting since Communists began attack September 13. Communists attacked lightly held rail sector and retired when purposes accomplished.

Morale of Fan Han-chieh troops at Chinwangtao reported low.

Sent Nanking 492; repeated Department 273, Shanghai 1472, Peiping and Mukden.

SMYTH

S93.00/9-2848

*Memorandum by the Director of the Office of Far Eastern Affairs
(Butterworth) to the Acting Secretary of State*

[WASHINGTON,] September 28, 1948.

Subject: Ambassador Bullitt's ⁴² Comments in *Life* Magazine Regarding General Marshall's Mission to China ⁴³

In discussing General Marshall's mission to China, Ambassador Bullitt conveys the mistaken impression that General Marshall went to China for the purpose of forcing Chiang Kai-shek ⁴⁴ to come to terms with the Communists and to bring them within the framework of the government. He omits significantly, to point out that prior to General Marshall's departure the basis for political collaboration between the Nationalists and the Communists had been established at meetings in Chungking in August and September of 1945 and it had become the announced intention of the National Government and the Communists to settle the issue between them by peaceful political means. It would, therefore, have been more accurate to describe General Marshall's mission as an attempt to assist the contending factions in carrying out this intricate and complex operation.

In his indictment of the Marshall mission, Ambassador Bullitt makes the following points:

(1) *Had General Marshall gone to China with other instructions, his advice to the Generalissimo plus American military supplies then*

⁴¹ To Nanking; repeated to the Department as telegram No. 271, not printed.

⁴² Former Ambassador to the Soviet Union and to France.

⁴³ Article on "How We Won the War and Lost the Peace" (pt. 2), *Life*, September 6, 1948, pp. 97-100.

⁴⁴ Generalissimo Chiang Kai-shek, President of the Republic of China, was President of the National Government of the Republic of China until May 1948.

abundant in the Pacific "might have produced the rapid expulsion from Chinese soil of all armed Communists". This is a conjecture in support of which he adduces no cogent arguments. He pays tribute to General Marshall's military judgment and General Marshall has stated that he repeatedly warned the Generalissimo that to defeat the Communists by force of arms alone was beyond the capabilities of the Chinese armed forces. This advice was disregarded as, in general, has been the advice of other American military authorities. There is no reason to believe that had General Marshall gone to China for the purpose of giving military advice to the Generalissimo, that advice would not have been similarly disregarded.

(2) *"If General Marshall had succeeded in his mission, Stalin⁴⁵ would today dominate China as he dominates the states of central and eastern Europe."* This statement can hardly be called a reasoned conclusion, for it is not evident from the article that the author has taken into account the complex factors obtaining in China which lead many qualified observers to doubt that Stalin could succeed in dominating China. No consideration is given to the intense nationalism and ethnic pride of the Chinese; no weighing of indications which have arisen in eastern and central Europe of the difficulty which Stalinist Communism is having in coping with forces of nationalism in Communist controlled countries; and no appraisal of the extent to which forces of the Red Army in Austria and Germany have contributed to Soviet domination of countries lying between these forces and Russia itself.

(3) *General Marshall used the arms embargo as a form of pressure against the Nationalists—a step as damaging to the security of the US as it was to the immediate security of China.* The purpose of General Marshall's mission was to assist the Nationalists and Communists to achieve their announced objective of reconciling their differences through peaceful political means. An essential step in approaching this objective was to bring about a cessation of hostilities. After assisting in bringing about an agreement by both sides to cease firing, General Marshall found himself in an untenable position in that the US was continuing to supply war matériel to one side. Consequently shipment of arms to China was suspended from July 29, 1946 (became effective with respect to shipments from the Pacific area about two months later) until May, 1947. This so-called arms embargo was not, as Ambassador Bullitt erroneously states, a form of pressure against the Nationalists, but rather it was a logical corollary to the truce agreement. Transfer of materials to China under the "8½ Group Program" was suspended for the same reason.

From a review of the record, it would appear that Ambassador Bullitt has considerably overemphasized the handicap which the arms embargo placed on the National Government. At the end of the war, 39 American-trained Chinese divisions were largely equipped with American arms. The Chinese Government obtained the arms and ammunition of surrendering Japanese armies totalling approximately 1,235,000 men and of Japanese-armed Chinese puppet troops estimated

⁴⁵ Iosif Vissarionovich Stalin, Soviet Prime Minister.

at 780,000 men. Furthermore, the Chinese Government had arsenals in operation which represented a small though effective addition to its military potential. The Chinese Communists obtained through Soviet connivance large stocks of Japanese arms in Manchuria, but the total of surrendering Japanese troops in Manchuria was estimated at 700,000 men, and only part of these arms were, according to the best information, made available to Chinese Communists. Consequently, at the time of the arms embargo, the Nationalists appeared to be overwhelmingly better armed and equipped than the Communists. Following the lifting of the arms embargo in May of 1947, the Chinese Government did not avail itself of the opportunity to place large commercial orders for arms and ammunition in the United States. Viewed objectively, there seems to be little doubt that Nationalist forces have, at least until very recently, had a decided superiority over Communist troops in terms of arms and military equipment. That they have not been more successful should be attributed, in a large measure, to weaknesses in command and morale.

893.00/9-2048 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, September 30, 1948—5 p. m.

1378. Considering relative strengths Govt-Communist forces Tsinan (Tsingtao's 142, Sept 20, sent Nanking 269) request evaluation causes precipitous Communist victory.

LOVETT

893.00/9-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 30, 1948—6 p. m.

[Received October 1—4:48 a. m.]

1807. Within past week Government armies have undergone severe reverses and Government's total military position has become exceedingly critical. Successive Communist attacks have cut through Liaoning-Jehol corridor isolating Fan Han-chieh's forces in pockets which can probably be reduced in detail. Main weight of attack is against Chinchow-Hulutao pockets, where defenders are outnumbered. Government garrison Ihsien still holding out, but fall anticipated by Sino Supreme Headquarters.

Situation between Kailan mines and Chinwangtao obscure. While

Fu Tso-yi ⁴⁶ may regain control railroad, reports indicate it has been badly damaged and may be inoperable for considerable period time. Also, Fu appears to lack capability preventing further disruption rail transport. Kailan mines appear adequately protected at moment, but entire body regular units garrisoning Tientsin have been moved elsewhere leaving only police and local levies. Two Communist columns entering Kueisui area from south have forced Fu to increase his strength that area by moving two armies from Hopei Province. Another Communist attack of unknown weight against Tatung has begun, Government Monday finally admitted loss Tsinan. MND ⁴⁷ privately admits entire Government garrison killed or captured, and that Communists obtained enough matériel equip at least three additional columns. Nine columns which took city are now free for operations elsewhere, giving Communists large strategic reserve which Government totally lacks. While area their employment presently unknown and unpredictable, informed American opinion believes they will be ready for action within 2-3 weeks. Only small fraction this force would be required for reduction Chefoo and Tsingtao. Part of Tsingtao garrison was airlifted to Tsinan for defense that city, and Tsingtao now has only one under-strength brigade.

Government forces disposed along Lunghai railroad from Kaifeng to sea total 26 divisions. Against this Chen Yi can muster 18 columns. Liu Po-cheng, ⁴⁸ in northern Hupeh, can contain Government forces disposed north Hankow and still send three columns against western flank of Government Lunghai line. Also Liu has additional large forces, composition and strength of which are unknown, in area southeast of Kaifeng. Communists have clear capability, in terms numerical superiority alone, to isolate Hsueh area and by-pass it. Government has no significant reserve to interpose between Hsueh and Nanking.

At moment most critical sector for Government is Liaoning-Jehol corridor, where it appears that Fan Han-chieh's main position may be overrun. Generalissimo has directed airlift one army from Mukden to Chinchow but Chinchow airfield lost before move completed. Generalissimo has also ordered Wei Li-huang to move westward to Fan's assistance with major part his forces and has ordered Changchun garrison to provide diversion by breaking through blockade and marching to Mukden.

Rapid vigorous implementation this plan could conceivably restore Government control over corridor. Wei has ample troop strength and matériel for accomplishment mission. However, on past occasions

⁴⁶ Commander in Chief, North China Bandit Suppression Forces.

⁴⁷ Ministry of National Defense (Chinese).

⁴⁸ Commander of Chinese Communist armies in Central China.

Wei has refused to take offensive, violating direct orders of Generalissimo, and he may well choose to do so again or may not succeed in moving in time to avert collapse of corridor defenses.

Government situation Hopei Province equally, if not as immediately critical, since Fu Tso-yi faces severe threats in east Hopei, Kueisui and Tatung areas. While he could improve his position slightly by giving up Jehol and Paoting sectors, he is very hard pressed, with all available forces committed to action, and can expect no aid from any adjacent commander. If Communists respond to logic of situation and attack in Hopei with three or more columns now available to them through fall Tsinan, Fu's position in Hopei will be untenable, and his retreat to Suiyuan would almost certainly follow.

Gravity of Government position along Lunghai is pointed out above. In this sector Communist dispositions such that disengagement Government forces for redeployment elsewhere is tactically difficult and may soon be impossible. Only reserve now available is Thirty-first Army recently finished training Taiwan, but without battle experience, which could be used either in support Hsuehchow or as Tsingtao garrison. In neither case would it constitute decisive factor, for Communists can concentrate superior forces either point at will. Government training program not capable producing trained troops in quantity sufficient affect present situation.

Timing, scale, and location next major Communist move not apparent on basis present information. Initiative is theirs and they have capability concentrating decisive strength almost any area without sacrifice any their present positions. While effective employment Mukden garrison could ameliorate South Manchuria-North China picture temporarily and while Government armies along Lunghai are in aggregate a formidable force, our past experience does not entitle us to expect that either of these can do more than stabilize situation locally and temporarily.

On basis data above it would appear that Government armies north of Yangtze are in danger annihilation. Since Government has virtually no regular forces south of river and since replacement and unit training programs operate slowly, it would appear that the cessation of large scale, formal military resistance by Government may be only matter time. Indeed, there are those among our military advisers who believe effective military resistance by Government on any considerable scale limited to less than 6 months. While we must be prepared to accept possibility of Government military collapse, particularly in view rapidly growing numerical preponderance Communist organized units, we regard this possibility as not immediate. Communists, in present locations, still faced with serious supply problem, as well as with necessity for consolidation political control over areas they occupy. Furthermore, there are excellent reasons why they

should prefer to exert their major political and military efforts in North China for some time to come.

AAG has participated in furnishing data for preparation above, and General Barr and service Attachés concur in it.

STUART

893.00/10-148 : Telegram

The Consul General at Tsingtao (Turner) to the Secretary of State

TSINGTAO, October 1, 1948—5 p. m.

[Received October 20—9:44 a. m.]

150. Re Deptel September 30, 5 p. m., sent Nanking 1378, repeated Tsingtao 131, ConGen's evaluation Commie victory Tsinan follows:

Prime cause for swift loss of city is psychological rather than material or military. Nationalist garrison had been isolated for 2 months with no possibility ground support. Previous Nationalist defeats in which Nationalist troops failed fight known to Tsinan garrison and people. Commie victory at Tsinan felt inevitable in view record of failure of Nationalists and consistent victories of Commies who at Tsinan used many of best troops. Nationalist soldiers and population Shantung in general no longer consider Nationalist Government merits continued support in civil war, loss of lives and economic chaos. These factors expressed themselves in outright defection to Commies, immediate surrenders, and failure to stand and fight. Those soldiers willing to fight were unable to trust other units to support them. No mutuality of feelings between regular forces and local Peace Preservation Corps troops. Nationalist regulars were largely from Central and South China and had little interest in defending strange city and people. Commies undoubtedly had organized support within city. No real attempt made defend perimeter at distance outside of city wall. Antiquated customs of falling back to city walls was speedily observed by Nationalist defenders. Other military causes were poor intelligence, failure to take initiative against Commies when concentrating for campaign and thus keeping them off balance. Belated, inadequate, improper air support.

In summary, majority troops at Tsinan did not want to fight while those that did fight found their position made impossible by the disaffected. Defection of Wu Hua-wen was merely the manifestation of a general phenomenon. His treason was not of itself the cause of defeat.

Nationalists at Tsinan had ample ammunition and food and assurance of further supplies in event protracted siege.

Sent Nanking 281, repeated Department as 150.

TURNER
31

893.00/10-248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 2, 1948—10 a. m.

[Received October 2—1:31 a. m.]

1815. Gimo with personal staff including Commanders in Chief Navy⁴⁹ and Air Force,⁵⁰ and Deputy Commander Ground Forces⁵¹ arrived Peiping September 30. Press carries story arrival Peiping for purpose "comfort North China citizens and armed forces". Real purpose, as yet unpublicized, is proceed to Mukden in attempt secure compliance Wei Li-huang with Gimo's orders attack in force westward to relieve Communist pressure on Chinchow, which now in very critical position (our 1807⁵²). Wei received orders on 26th and as of evening 30th had not yet moved forward.

STUART

893.00/10-248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 2, 1948—1 p. m.

[Received October 2—8:51 a. m.]

1819. Govt armies Tsinan, Deptel 1378,^{52a} had bad morale and little or no will to fight. After start of battle there were large scale defections. This situation partly attributed to Govt policy committing its forces to purely passive and defensive roles. Troops stagnate behind fortifications and their reliability prejudiced by commercial and other fraternization with adjacent Communist areas.

Communist morale very high. They attacked in force and with great vigor. In accordance with carefully prepared and well implemented plan, bulk their armies were disposed north Lunghai railroad to prevent Govt forces along that line coming to relief of Tsinan.

Sent Dept 1819, pouched Tsingtao.

STUART

⁴⁹ Adm. Kwei Yung-ching.⁵⁰ Gen. Chou Chih-jou.⁵¹ Lt. Gen. Sun Li-jen.⁵² September 30, 6 p. m., p. 477.^{52a} September 30, 5 p. m., p. 477.

893.00/10-248 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, October 2, 1948—1 p. m.

[Received October 2—3 : 12 a. m.]

274. Re my 492, September 28.⁵³ According to KMA⁵⁴ report yesterday p. m. from Chinwangtao, Nationalist defenses in that general area have "folded up" although not in actual contact with Communists. Troops being pulled in from surrounding region. Twenty-sixth Division from Shanhaikuan said fallen back on Nanlichwang, village near Chinwangtao golf course. Fighting reported 3 miles east of Shanhaikuan. Railway transferring rolling stock from Shanhaikuan to Chinwangtao. KMA reports low morale of Fan Han-chieh troops that area.

Local press today reports Changli evacuated by Government troops but not confirmed. Railway says line open east of Anshang today.

KMA here reports several vessels commandeered yesterday at Tangku to transport troops and supplies to Hulutao, including two fuel control ships used for coal shipments to Shanghai.

Sent Nanking 500, repeated Department 274, Shanghai 479, Peiping and Mukden.

SMYTH

893.00/10-248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 2, 1948.

[Received October 2—6 : 10 a. m.]

1822. In contrast to National Government line that loss of Tsinan is regrettable incident but will have little bearing on final outcome of war (see Embtel 1808, September 30⁵⁵), rebel broadcasts from north Shensi have been making great capital of this Communist victory.

September 25 broadcast claimed Tsinan campaign is only preliminary to cleaning out all Kmt⁵⁶ troops from Shantung. Capture of Tsinan will completely link up two great liberated areas of east and north China. Elimination of this Kmt base "will enable People's Liberation Army to become highly concentrated and mobile". Capture of Tsinan facilitated by sagging morale and enfeebled combat power of Kmt garrison forces; aided by fact that CCP⁵⁷ forces hold

⁵³ To Nanking; repeated to the Department as telegram No. 273, September 28, 5 p. m., p. 475.

⁵⁴ Kailan Mining Administration.

⁵⁵ Not printed.

⁵⁶ Kuomintang (Nationalist Party).

⁵⁷ Chinese Communist Party.

initiative; supported by broad masses of Shantung people who enjoy benefits of Communist agrarian reform and assisted by favorable nation-wide political situation.

September 26 broadcast announced Kmt lost 100,000 troops in Tsinan battle during 8 days of fighting. Broadcast also featured proclamation concerning military occupation policy. It announced protection of life and property for all in Tsinan, including foreign consulates and foreign nationals provided they abide by laws and commit no sabotage. Industrial and commercial concerns belonging to private capital will be protected while those operated by Nationalist Government will be taken over by CCP military government. Proclamation promised all personnel of Kmt provincial, municipal, county and lower government institutions that they will not be arrested unless they are arch criminals and it called upon all to continue their work and help establish order.

September 28 broadcast crowed over jittery Kmt attempts to suppress news of defeat. It pointed out how even when Tsinan was completely taken, Kmt Central News still bragged of fierce house-to-house fighting 2 days later. Broadcast added: "Kmt is in such a state that it has to resort to lies which may be effective for only 1 day to cushion great shock of Tsinan's fall."

September 29 broadcast featured congratulatory message from Central Committee of CCP to East China People's Liberation Army. Significantly, this telegram stated that course of Tsinan campaign has "proved that People's Liberation Army's ability in storming positions has been greatly raised while influence of its victories has shaken ranks of Chiang Kai-shek's reactionary troops. It is one of most serious blows dealt to Kmt in development of over 2 years' revolutionary war". Same broadcast announced formation of military control committee to "establish revolutionary order, protect life and property and guarantee social security". Committee will cease to function as soon as social order is stabilized in Tsinan. Committee issued regulations for observance of all CCP military and government personnel entering city and enjoined them to protect life and property of all people and not to take "even needle or thread from them". Proclamation stressed that no troops or institutions other than committee have right to arrest people except in cases of emergency when Kmt war criminals or saboteurs may be detained only long enough to be immediately handed over to judicial organs. Proclamation added that rights and customs of Moslems of Tsinan must be respected.

September 30 broadcast quoted General Su Yu, vice-commander of East China People's Liberation Army, as saying, on eve of Tsinan campaign, that battle would be one of biggest conducted since outbreak of civil war. Su Yu added that CCP forces are fighting ever

larger campaigns as their victories whittle down strength of Nationalists while strengthening People's Liberation Army which today "not only far surpasses enemy in fighting quality but is overtaking enemy in numbers and technique".

September 27 broadcast gloatingly claimed fall of strongly defended Tsinan "after only 8 days fighting came as stunning blow to Kmt reactionists and their American masters". It crowed that Shantung has been liberated except for handful of Kmt strong points such as Tsingtao, Chefoo and Hotseh. Capture of most powerful strong point in Shantung has given Communist forces greater freedom of movement and places remaining Kmt troops in Shantung in precarious position. "Kmt troops on central plain south of Lunghai railway will also suffer heavier blows and liberation of all East China and central plain is now more imminent". Broadcast concluded that "no Kmt city can now withstand attack of People's Liberation Army", pointing out that "Tsinan fell despite 100,000 troops holding it, despite US equipment, despite many lines of permanent defense works, despite material stored up for long siege, despite support of US supplied planes, despite large reenforcements in vicinity of Hsuehchow promised by Chiang Kai-shek and despite command of Kmt's much boasted General Wang Yao-wu".

October 1st broadcast announced capture of Wang Yao-wu, Kmt commander at Tsinan.

Sent Department 1822, repeated Shanghai 890. Department pouch Moscow.

STUART

893.00/10-448 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, October 4, 1948—11 a.m.

[Received October 4—2:48 a.m.]

275. Communist capture Tsinan has had depressing effect on Chinese here. Fall of Tsinan release[s] large Communist force for operations elsewhere. Most Chinese here believe Communist will turn south toward Hsuehchow, but some think Communists may turn north, thus putting heavy additional pressure on Fu Tso-yi, already strained in defending own area and also assisting inferior troops of Fan Han-chieh.

This latest example of apparently ability [*apparent inability?*] of Nanking to resist Communists has caused number Chinese here to feel Communist victory in China inevitable unless there is drastic shakeup in Nanking military command. They feel Nanking armies

will continue be defeated unless some of present top commanders are removed and [re] placed by competent military officers. Criticism directed at generals such as Ku Chu-tung, Chief of Staff, and Tu Li-ming,⁵⁸ largely responsible for loss much of Manchuria, who reportedly has now been given important military post in east China. Chinese feel no hope for Government military success as long as Generalissimo insists on keeping in top posts general[s], his personal friends of long standing, who have repeatedly demonstrated their military incompetence.

Chinese in North China have great faith in military ability Fu-Tso-yi, whom they consider as best top Government military commander. However, they feel that Fu and his troops cannot expect contain Communists indefinitely, if masses of Communist troops, released by Nanking defeats in other areas, are to be thrown against them.

Sent Nanking 501, repeated Department, Shanghai 480, Peiping and Mukden.

SMYTH

893.00/10-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 6, 1948.

[Received October 6—6:43 a. m.]

1845. Following is summary north Shensi broadcast October 5 concerning lesson derived from fall of Tsinan (Embtel 1822 of October 2): General Su Yu, Vice Field Army Commander of East China People's Liberation Army, who commanded taking of Tsinan, told North China News Agency correspondent that capture of Tsinan demonstrates fundamental change between strength of Communist and Kmt armies has taken place and will continue to take place. Loss of over 100,000 Kmt troops is greater than Kmt losses in any previous month of civil war. This proves that the more People's Liberation Army fights the more powerful it becomes while Kmt troops become progressively weaker. He recalled that during August and September 1947 Kmt Commander in Shantung, Wang Yao-wu, boasted "all Communist troops are wiped out from Shantung." On same battlefield only 1 year later not Communist troops but rather hundreds of thousands of Kmt troops are wiped out and Wang himself is prisoner. General Su Yu pointed out that taking of strongly fortified Tsinan held by over 100,000 Kmt troops in only 8 days fighting indicates might

⁵⁸ Chinese Commander in Chief in Manchuria, 1945-1947; Deputy Commander of Bandit Suppression Headquarters, Hsuehchow, Kiangsu.

of People's Liberation Army and especially its powerful strength in taking positions. Skirted by Yellow River in north and Taishan Mountain in south, Tsinan is known as city easy to hold but hard to take. Its defense works built during Japanese occupation were further strengthened by Wang. Over 1,000 reenforced concrete fortifications were erected within 50 kilometer radius of city. They were interwoven with system of barbed wire entanglements, moats, barriers and pillboxes. That all these would not withstand Communist assault proves that Communist Army can now take any strongly fortified big city. Su further pointed out that this battle proves Communist Army can annihilate large numbers of Kmt troops within very short period not only in war of maneuvers but also in positional warfare. Su predicted that while people are marching toward nationwide victory there will still be final desperate resistance from Chiang Kai-shek under command of American imperialism. He concluded that liberation of entire Chinese people is possible only by thoroughly wiping out all Kmt troops and crushing war machine of Kmt reactionary bloc. End of summary.

Sent Department 1845; repeated Shanghai 906.

STUART

893.00/10-748: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 7, 1948—1 p. m.

[Received October 8—5:45 a. m.]

399. Primary purpose Government capture Anshan [was] to advance outposts guarding main line defense through Liaoyang and assure uninterrupted gathering harvest. Government does not expect be able hold Anshan appreciable period. No plans further extensive drive southwards Yingkow. Four Government armies, New First, New Sixth, New Third and Sixty-Second, preparing move northwards from Mukden towards Faku in coordination with southward movement to Faku by present Changchun garrison. Two purposes this move—1, relieve Changchun garrison and, 2, relieve pressure Chinchow by threatening Communist lines communication. Actual movement troops northwards not yet implemented. Ssuning-kai will be by-passed by Government forces. Unconfirmed reports Changchun garrison has already started southwestward move from city. Rumor received here Government Sixtieth Army Changchun, composed Yunnanese troops, deserted to Communists immediately after departure from Changchun.

Communist plans not clear. Disposition troops north Mukden puzzling. All large forces move westwards in apparent invitation

Government withdraw Changchun garrison. May be trap entice Government extend troops northwards and then attack left flank, may be trade with Government allow Changchun troops be evacuated in return unopposed occupation Changchun which is one [of] Manchurian traditional capitals and communications net hub, may be move entice Government forces out Mukden Island permit Communists cut behind and attack weakened defenses or may be plan Communists move all available forces Chinchow area for all-out effort capture Chinchow and Chinchow-Shk⁵⁹ corridor, thus permitting coordinated effort from north and south in North China areas. If last true, would mean Communists believe Mukden neutralized all practical purposes and willing grant it respite from collapse by permitting raiding parties expand present Government holding Mukden and seize limited quantities fall harvest. Actual Communist intent not clear as yet but Government position where no tactical errors can be made without disastrous effects.

That Government considers situation important was exemplified report recent visit Generalissimo at Hulutao in Chinchow area and reported landing two additional armies Hulutao reinforce Chihsi and Chinchow area, following failure Government airlift sufficient numbers reinforcement from Mukden.

Sent Nanking 541, repeated Department 399, Peiping 215, Tientsin 128.

WARD

893.00/10-748: Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, October 7, 1948—4 p. m.

[Received October 7—6:30 a. m.]

279. KMA at Chinwangtao reported noon today tension steadily increasing Shanhaikuan as city reported under fire and shells have fallen within walls; also stated situation Chinwangtao shows signs of deteriorating.

Sent Nanking 506, repeated Shanghai 485, Peiping, Mukden and Department.

SMYTH

⁵⁹ Shanhaikuan.

893.00/10-848 : Telegram

The Consul General at Tsingtao (Turner) to the Secretary of State

TSINGTAO, October 8, 1948—11 a. m.

[Received October 20—9:44 a. m.]

155. Local Sino Army HQ received orders October 7 to evacuate Chefoo by October 9, troops to proceed Chinchow area. Kuo Ju-kuei, chief of G-5 Nanking, now Chefoo carrying Generalissimo's order direct to General Wang Po-hsuen. This move will free all local Commie units in Kiaotung Peninsula for harassing of Tsingtao perimeter. ConGen has asked local Pacification Area commander to assure evacuation those foreigners who wish leave Chefoo. No American citizens known to be resident Chefoo.

Sino military here also state that 13,000 men of Thirty-first Army to be stationed Tsingtao area. Remainder bound for Tangku as result personal intervention Tientsin mayor with Generalissimo. Units of Thirty-first Army here to be placed in training camps.

Sent Nanking 788, repeated to Department for information as 155.

TURNER

893.00/10-848

The Consul at Shanghai (Styles) to the Secretary of State

No. 883

SHANGHAI, October 8, 1948.

[Received October 19.]

SIR: I have the honor to enclose a memorandum ⁶⁰ prepared in this office on the current status of the government's effort to purge Shanghai's educational institutions of student agitators.

When it is remembered that almost all of the student agitation of the post war period has been publicly against foreigners and foreign policy and never openly against the National Government, it might be difficult to understand this severe governmental attitude, which could be based legally only on disturbing the peace, were it not appreciated that student unrest and disturbances in practically every case have sprung from the students' dissatisfaction with their country's government. The use of other slogans has been used as a subterfuge to avoid direct charges of insurrection and to confound the government by indirection.

Unfortunately, this typically Chinese approach has involved the United States Government since student thinking follows the rather direct line that: They want a new government; the present government would have fallen long ago if it depended on its record and native support; it survives, despite the wishes of the majority of the Chinese, only because it has been continually bolstered up from the outside; the

⁶⁰ Not printed.

United States single-handedly has supplied that bolstering; therefore the position of the United States is one opposed to the liberal student movement desiring reform and regeneration; therefore the United States is identified with a Chinese Government so inefficient, corrupt, and incompetent as to have few counterparts in the five thousand years of recorded Chinese history.

In a recent discussion with the acting president of St. John's University on the subject of an increase of use of USIS ⁶¹ material on the campus to counteract the known flood of Communist inspired propaganda there, an officer of this Consulate General was told quite frankly that so long as the present Nanking Government continued on its present course and so long as the American Government continued to supply the wherewithall for it to continue on that course, there was nothing that could be done, by means of USIS material or otherwise, that could foster a more understanding and friendly attitude by the students toward the United States. The students, he said, were so absorbed in what they considered their major problem that they were completely unable to appreciate any collateral aspects of American foreign policy which might be offered to justify the American stand; and any American attempts, no matter how cautious, at political indoctrination would in all probability back-fire.

Mr. Pott did agree, however, to periodic presentation of USIS educational and sports films, the screening details for which are now being worked out.

Because of this deep-seated dissatisfaction of the students with the Nanking Government it can not be expected that the recent efforts to liquidate the student agitators and free the campuses of known Communists will go far toward allaying student unrest. As with Shanghai's current price control measures, police action may "keep the lid on" for a time, but so long as the internal pressure continues to build up, the basic problem has not been solved, and Shanghai's students will in all probability be heard from again in not too many months.

Respectfully yours,

FRANCIS H. STYLES

893.00B/10-948

The Consul General at Hong Kong (McKenna) to the Ambassador in China (Stuart) ⁶²

No. 51

HONG KONG, October 9, 1948.

SIR: I have the honor to enclose a copy of a memorandum, dated October 8, 1948,⁶³ which has been prepared by Vice Consuls R. M.

⁶¹ United States Information Service.

⁶² Copy transmitted to the Department by the Consul General without covering despatch; received October 28.

⁶³ Not printed.

Service and L. E. Milligan. The memorandum is entitled "Comments on the Possible Significance of the Travel of Dissident Leaders from Hong Kong to Communist Areas in North China to attend Pre-PCC Meetings", and was prepared following the departure of four dissidents from the Colony. This office anticipates that the Chinese Communists shortly will announce the arrival of these persons in North China, and the memorandum was drawn up in an attempt to furnish the Embassy with an analysis of the significance of this development.

The enclosure, which is in outline form, is summarized below.

Summary of Enclosure. It is believed that Ts'ai T'ing-k'ai, Shen Chun-ju, Chang Po-chun, and T'an P'ing-shan left Hong Kong for North China on the Soviet vessel *Aldan* on September 18, 1948, and that they traveled under Chinese Communist Party auspices to attend a CCP-sponsored pre-People's Consultative Conference meeting. CCP objectives in inviting Hong Kong dissident leaders to such a meeting may include the following: the Communists hope to exploit a PCC as a political weapon, the effectiveness of which will be enhanced by the attendance of well-known leaders who will form a United Front; the CCP may fear the eventual development of an effective middle-road political force which might absorb some dissident leaders if they remained in Hong Kong; the CCP may fear that outbreak of a third World War would swing some dissidents to the anti-CCP camp, and this would be impossible if these leaders were in the hands of the Communists.

The objectives of the Kuomintang Revolutionary Committee in sending General Ts'ai to North China may include the following: it has been a basic tenet of the KmtRC to sponsor a new PCC; it is KmtRC policy to cooperate with the CCP in ending the civil war and in forming a coalition government; perhaps the KmtRC hopes to obtain financial support from the CCP through this measure of cooperation; it would be politically inexpedient for the KmtRC to fail to send a representative to a CCP-sponsored meeting. In an attempt to analyze the effect on the position of the KmtRC itself of Ts'ai's travel as a KmtRC representative to the pre-PCC meetings, the following points have been noted: Ts'ai's presence in North China possibly will facilitate CCP control of the KmtRC; it is the first known move to mark effective overt KmtRC action in conjunction with the CCP; it will furnish Li Chi-shen ⁶⁴ with a source of first-hand reports from a trusted associate; it will enable the KmtRC to engage in top-level policy-planning liaison with the CCP; it may weaken the local Communists as a source of objectionable pressure

⁶⁴ Marshal Li was Chairman of the Kuomintang Revolutionary Committee (KmtRC).

on the KmtRC; it may have the effect of alienating from potential support of the KmtRC many anti-CCP Chinese leaders who are willing to abandon Chiang Kai-shek; and it might indicate a weakening of the KmtRC if Ts'ai left without the authority or approval of Li Chi-shen.

Shen Chün-ju is the head of the National Salvation Association; Chang Po-chün is head of the Peasants and Workers Democratic Party. Both leaders and their organizations are closely aligned to the CCP, and an "invitation" from the Communists is akin to an order. It is as Democratic League leaders that these individuals may be most intensively exploited by the Communists; Shen has been the self-appointed leader and spokesman for the CDL⁶⁵ in Hong Kong. T'an P'ing-shan is head of the San Min Chu I Comrades Association, reportedly has been in charge of CAL⁶⁶ here in Chu Hsueh Fan's⁶⁷ absence, and his travel is of little significance except that it furnishes the CCP with another fellow-traveler who will be greeted as the leader of another "independent liberal" party to participate in the United Front.

It may be assumed that the departure of these four leaders will persuade others to follow: indeed, it is reported by a reliable source that a second group already has gone, and that Kuo Mo-jo⁶⁸ and Ma Hsü-lün⁶⁹ are planning to go in the near future. Although it is understood that Li Chi-shen has refused to go, it is not impossible that he plans to go later, or that future developments will cause him to go. Dissidents here may feel that failure to accept the CCP invitation will prejudice their political futures. It is significant that Li Chi-shen has declined the Communist invitation: it may be evidence that he is anti-CCP; it is confirmation of his previous assurances that he will not attend any PCC held in CCP territory; it may indicate that he fears that he would lose important potential support from within the Kmt if he moved to Communist territory; as the senior and most respected dissident, his failure to go to north China denies to the CCP-sponsored meetings a certain degree of prestige; his refusal to go to north China Communist areas may indicate that he still hopes to enlist American support after the establishment of a provisional, or a coalition government. *End of Summary of Enclosure.*

Respectfully yours,

JAMES E. McKENNA

⁶⁵ China Democratic League.

⁶⁶ Possibly Chinese Association of Labor.

⁶⁷ Labor leader (in charge of the China Labor Party, San Min Chu I Comrades Association), reported to be in Harbin.

⁶⁸ Chinese poet.

⁶⁹ Leader of the Democratic Promotion Association under the KmtRC.

893.00/10-1448 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 14, 1948—3 p. m.

[Received October 14—5:18 a. m.]

403. Chinchow situation critical. Communists attacking city walls south and west city. Fighting cotton mills east city and rail station north city. Wei now Hulutao [to] direct planned drive relieve from south. Report received orders given four Government armies now waging offensive north Mukden, divert their attention drive through Chinchow. If such done would leave Mukden vulnerable attack by Communists withdrawing from Chinchow, providing Communists willing allow Government forces drive through relieve Chinchow. Now being apparent Communist present strategy open corridor Chinchow-Tientsin, therefore not believed Communists will abandon attempt take Chinchow unless Government pressure makes such imperative. Believed outcome military engagement now being waged Chinchow and final deployment four Government armies now north Mukden will largely determine fate northeast and north China.

Sent Nanking 540, repeated Department, Peiping, Tientsin and Shanghai.

WARD

893.00/10-1448

The Ambassador in China (Stuart) to the Secretary of State

No. 430

NANKING, October 14, 1948.

[Received October 29.]

SIR: I have the honor to report to you on the more recent developments in the Chinese civil war, supplementing as usual the factual information or analyses contained in Embassy radiograms.

In general, the outlook for the Government is becoming rapidly more alarming. The military situation has reached the stage where the Communist armies outnumber the Nationalist forces and for this reason, as well as because of their superior tactics and morale, can apparently capture any city they wish. Apart from faulty strategy, the chief weakness of the National troops is their lack of the will to fight. This is seen in constant defections en masse or by individuals, in the spiritless conduct of operations, and in the tendency to defend cities rather than to take the offensive. In Changchun one rifle delivered to the Communists entitles six persons to safe passage from the city. One Communist column marched into Tsinan fully armed

with American equipment. The fiscal problem is even more acute than the military. The attempt to control prices and exchange rates by what are virtually police-state methods will inevitably break down. Signs of this are giving increasing concern. All of us have attempted to support the Government in what we recognized to be monetary measures undertaken with vision, courage and determination. In their broad lines they were probably as well conceived as any that could have been employed, but even with the best intentions and most efficient control they cannot prevent the consequences of an unbalanced budget. The Government is at present running a monthly deficit of United States fifty or sixty million dollars. This combination of military and economic trends is causing no slight hardships of course to the population and a festering discontent or despair. At this writing the most dangerous factor is perhaps shortage of food or its sale at prices prohibitive to ordinary people. The long-suffering Chinese populace can endure a great deal but when it comes to daily necessities like food and fuel there will be riots and all their attendant evils.

The Government and especially President Chiang are more unpopular than ever and are bitterly denounced. This is probably not so much against them as individuals as against their inability to provide protection and tolerable living conditions. It is this now rather than questions of abstract morality or political theory, even among intellectuals. This dissatisfaction is noticeably spreading among officials of all ranks in the Nanking Government.

Marshal Li Chi-shen is sending a personal letter to me from Hong Kong, the contents of which have already been transmitted from our Consulate General.⁷⁰ In substance he states that a new coalition government will be announced in the next few months with himself as President and Mao Tse-tung as Vice-president. The late Marshal Feng Yu-hsiang⁷¹ would have been the military commander-in-chief. Marshal Li is reported as asking me to transmit this information to you with the recommendation that the American Government dissociate itself from that of Chiang Kai-shek and be ready to support the one about to be inaugurated. As I have pointed out before, the significance of this movement lies in the almost universal desire for peace regardless of how it can be procured and in the disgust with the present leadership. The Communist Party would undoubtedly soon be able to assume actual control, once the Chiang Government is overthrown, and by degrees dominate the whole country. But this would not be

⁷⁰ See telegram No. 1922, October 16, noon, from the Ambassador in China, p. 495.

⁷¹ Member of the Kuomintang Revolutionary Committee; his death took place "in a fire aboard a Soviet vessel in Black Sea while apparently en route to Chinese Communist area," according to telegram No. 78, September 7, 3 p. m. from the Ambassador in China to the Consul General at Hong Kong (800 China, Lot F84).

before a long period of resistance by regional leaders resulting in chaos, confusion and appalling distress to the helpless population.

The American dilemma is more than ever that of aiding a National Government which does not have the support of its people, but doing so only to an extent insufficient to reverse the trend in favor of this Government while arousing the animosity not only of the Communists and their fellow-travelers but of all those who blame us for making it possible for this indecisive warfare to drag aimlessly on. Anti-American sentiment is latent everywhere and could be aroused by any trivial incident. Whenever or wherever the Government loses control this might have serious results. If there could be a poll today of the politically conscious citizens it would probably be overwhelmingly against this Government. We may, therefore, at any time find ourselves accused of violating the democratic principle of the right of self-determination by aiding a dictatorship which does not represent the popular will.

All this is very negative, as is also the current mood of the Chinese people. More positively I am still convinced that antagonism to the Chiang Government stems principally from its incapacity to function as it normally should. If it were somehow able to provide stability and economic recovery for its people the large majority of them would rally to its support and the more intelligently public-spirited ones among them would attempt to correct by constitutional processes the corruption and misrule of which they are fully aware. In short, they blame the Kuomintang for the present catastrophe rather than prefer Communism or any other revolutionary change. In a mood of sullen and unreasoning despair they feel that nothing would be any worse than what they are now suffering.

The center of the problem is of course the huge military expenditure, the incompetence of its officers and the unfitness of its soldiers. No civilian authorities can possibly rectify this nor could the Generalissimo without American assistance. In the form of adequate military advice with such material aid as would be required to carry this into effect, it is not impossible that an area might even yet be cleared of militant Communism in which political reforms and economic recovery, both influenced by us, could be undertaken. If this proved successful, it ought sufficiently to demonstrate the advantages of democracy to win out over Communist ideology and techniques, or more probably to lead to a negotiated peace. If, however, for reasons of global policy we believe this to be inadvisable, or if it seems impracticable, we may very soon be forced to make a decision as to whether it would be more to our national interest to withdraw our army and navy personnel and installations, and to discontinue further economic aid which would benefit a virtually Communist regime, or

to remain here as we are and attempt to modify the course of events through processes other than those of military force.

Would it be desirable to extend the bi-partisan foreign policy so as to anticipate the program of the incoming administration in the event of a change and thus avoid the disastrous consequences of withdrawals soon to be countermanded? In addition to the physical losses in such procedure there would be the humiliating loss of prestige and the lack of continuity. The potential dangers are rather imminent, especially as affecting Tsingtao and the fate of our nationals in North China if the fighting between Mukden and Tientsin continues to be unfavorable for the National forces.

Respectfully yours,

J. LEIGHTON STUART

S93.00/10-1548 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 15, 1948—3 p. m.

[Received October 15—5:36 a. m.]

405. Government now holds only southwest corner Chinchow city where heavy fighting raging. This section surrounded by old city walls. Modern section city reported Communist hands.

Unconfirmed reports state two Government P-51 fighter planes and one B-25 bomber shot down several days ago by Communists Chinchow area. Confirmed report received one CAF transport plane with 60 passengers shot down near Chinchow approximately 10 days ago.

Sent Nanking 545, repeated Department 405, Peiping 218, Tientsin 131.

WARD

S93.00/10-1648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 16, 1948—noon.

[Received October 16—6:34 a. m.]

1922. Hong Kong ConGen reports receipt letter from Marshal Li Chi-shen for Ambassador. Letter delivered by close associate of Marshal, who states letter appeals to US to cease support present Chinese Government, predicts it will fall by end of year, pledges support future Sino-American cooperation, promises KmtRC will not tolerate one-party control of government and states our withdrawal support from Generalissimo will be followed by PCC coalition government and peace, and so will be act of great friendship toward Chinese people.

Marshal's spokesman also stated Li Chi-shen will be president coalition government with Mao Tse-tung as vice president. Feng Yushiang was to have been head of army with Chu Teh as deputy. No replacement yet found. Li Tsung-jen⁷² to occupy only minor role since he failed cooperate actively with KmtRC after election. Owing rapid deterioration Government military and economic position, Marshal has abandoned plans set up southwest China provisional government.

While veracity of Marshal's statement and claims difficult to assess, it is possible that facts are substantially as he represents them. At present time Communists appear to be gaining military ascendancy rapidly. However, they are faced with serious internal political and economic problems. These problems will increase many fold as they increase territorial holdings by military operations. Communists' principal difficulty in solution these problems is lack sufficient administrative personnel and technicians. Bulk of persons in non-Communist China with such qualifications are either members Kmt or are employees present Kmt-dominated Government. Thus it would be greatly to Communist advantage if they could replace present Kmt leadership with KmtRC and associate this reformed party with new coalition government. This maneuver would provide them with administration over which they might gradually secure control, and at same time would create government with multi-party façade and democratic appearance, and so would appear to be reasonable and likely course of action for them to adopt.

There is still no evidence that present Kmt leaders contemplate relinquishing office voluntarily, nor does there yet appear to be any active movement on Nationalist side for their expulsion. However, there is now almost no hope among Nationalist civil and military officials that Communist tide can be stayed, and it is freely admitted that another break in either military or economic front will be "the end". Thus there are not many who continue with conviction to support the Generalissimo except his immediate followers and certain ranking military officers. There are increasing signs that this group now holds together more from fear of its fate, should Communists win, than from deep loyalty to Nationalist cause and at least one of its most prominent members, General Chang Chih-chung,⁷³ freely advocates immediately negotiated end to civil war. Those whose faith in, and allegiance to, Generalissimo is lukewarm or nonexistent and who will not espouse Communist cause, have no leader to whom they can turn. Should Communists convoke PCC and form new government with participation in KmtRC, as seems to be their purpose,

⁷² Vice President of the Republic of China.

⁷³ Chief of the Northwest Authority (in Lanchow).

there are very many on Nationalist side prepared to admit that mandate for party leadership has passed from Generalissimo to Marshal Li or another. Under these conditions, particularly as further military and economic reverses continue to reduce his influence, the Generalissimo may well be forced from power by his erstwhile supporters and persuaded to accept retirement.

We do not, at present moment, regard this development as certain, although we think it highly possible. Among other alternatives open to Generalissimo are fight to finish in Nanking, or flight with leading members his Government to other location in China. First alternative appears unlikely, for it is improbable that Generalissimo could associate many with himself in such endeavor. Also, flight would be construed throughout country as admission of defeat. He would find himself with very small following should he attempt move Government to new location. Revolutionary conditions are too far advanced and present Government in too great discredit with body politic for long survival after transplantation, and it seems most unlikely that it would ever become rallying point for effective counter-revolution whether in exile abroad or moved elsewhere in China.

As Department is aware, we have long said that appearance of coalition government in China under Communist auspices was highly likely unless we were able to intervene with sufficient force and control to change trend.

That opportunity now may have passed. It is difficult to see at this late date how any efforts on our part short of armed intervention on very large scale can avert further military disaster, with likelihood coalition in some form will result. There is complete unwillingness on part of Nationalist troops to fight and in many instances they are succumbing to Communist propaganda and defecting at first opportunity.

As a result Government, but especially Generalissimo, is more unpopular than ever and is increasingly denounced. Objection is not to Government and to Generalissimo as such but against their inability to provide protection and tolerable living conditions. Indeed our present policy of support to Nationalist Government is but little better liked on Nationalist side than on Communist. We are criticized for prolonging suffering of Chinese people by supporting continuation of civil war without giving Government means to victory, Chinese people of all walks of life are war-weary and it is safe to say that coalition government is now fairly generally regarded as inevitable and as preferable to prolongation of civil war and that we are blamed as authors of political and military stalemate wherein entire country suffers. We are by no means sanguine over prospect of our influencing coalition government so as to prevent its development into familiar patterns of gradual domination by Communists. Nevertheless we

are at loss for means to avert coalition. It may be therefore that we have reached point where present leadership of Nationalist China is no longer effective medium for our efforts in stemming spread of Communism in China. If this is so, we should consider carefully our attitude toward coalition particularly while it is in its formative period. We do not advocate abandoning Generalissimo at this time. However, little good and much harm will ensue if we continue to support him after he has been rejected by all except small group for which, by reason of its past, no dealings with any element in coalition government would be possible.

As we look at picture therefore we must envisage some typical Chinese arrangement whereunder Generalissimo will retire and a coalition government will be formed. It is entirely possible that in the beginning, the northwest under Chang Chi-chung and the Mas,⁷⁴ and Szechwan, Yunnan and Kweichow under respective provincial leaders,⁷⁵ will remain aloof and unmolested by Communists. Likewise, T. V. Soong⁷⁶ in the south may have a breathing spell while Communists consolidate their gains in the north under coalition. During that time we must retain a very flexible policy. China, under whatever regime, needs external aid and US is only source available at this stage. Accordingly, we have ammunition which we can use in our interests as developing situation makes more clear exactly where our interests lie.

Sent Department, pouched all Consulates, China.

STUART

893.001 Chiang Kai-shek/10-1848

The Ambassador in China (Stuart) to the Secretary of State

No. 434

NANKING, October 18, 1948.

[Received October 29.]

SIR: I have the honor to report that the October 10th anniversary speech of General Chiang Kai-shek was in substance a further strong warning to the people of China against the treachery and insidious nature of Communists and an appeal to the people to dedicate themselves to the defeat of the Communist Armies. Its only novelty lay in its admission of mistakes by the governing authority and of personal responsibility for the recent military defeats.

⁷⁴ The five so-called Ma generals of the Northwest: Ma Hung-kwei, Governor of Ningsia; Ma Pu-fang, Governor of Tsinghai; Ma Pu-ching, Deputy Commander in Chief Fortieth Group Army; Ma Hung-pin, military commander Tsinghai; and Ma Chang-hsiang, leader of Tsinghai Fifth Cavalry Army.

⁷⁵ Wang Ling-chi, Lu Han, and Ku Cheng-lun, Governors of the Provinces of Szechwan, Yunnan, and Kweichow, respectively.

⁷⁶ Governor of Kwangtung.

The Generalissimo said that the Communists were a more formidable enemy than any against which the forces of the young Republic had had to fight including the Manchu Regime and the Japanese, since they were not easily distinguished as enemies and as foreigners. The President recalled his earlier prediction this year that by November all Communists south of the Yellow River would have been cleared out, and admitted that now in October the Government had not only failed in its task but had actually lost ground with the capture of Tsinan by the Communist forces. "The loss of Tsinan constitutes a great national misfortune. I feel personally responsible for what has happened." This prediction of relative success by November had been made, he continued, because, with the inauguration of constitutional rule in China, he had anticipated that the people would rally behind the Government in the campaign against the Communists. He had apparently overlooked, however, the susceptibility of the people to Communist propaganda: the people's mistaking the Communist rebels as an ordinary international [*internal?*] disturbance "thinking that after all the Communists are Chinese too and that they, in their own way, also practice democracy and guarantee political freedom". Consequently, he said, the military campaign against the rebels has not had the benefit of coordinated efforts between the Army and the people of China. For this reason principally, the National forces had suffered many setbacks. Appealing for sacrifice and faith in final victory, the President predicted the failure of the Communists. Their doom he attributed rather unrealistically to their lack of revolutionary spirit, labeling them as opportunists "bent on benefiting themselves at the expense of others". In memorializing on the virtues of adversity and the strength acquired by overcoming obstacles, he admitted that during the past six months many weaknesses and shortcomings had been exposed. However, by a policy of careful introspection, leading to a renunciation of carelessness, indolence, lack of organization and defeatism on the part of the Government and the people, they will acquire the strength of spirit which will prevail over the Communists. The Generalissimo continued, in a rather naive vein, that time was working to the advantage of the Nationalists, because Communists' shortcomings will be more and more exposed and people will be better able to see the rebels in their true light. The President concluded his remarks by repeating in somewhat different phrases his appeal to the Government and the people to concentrate their efforts in the struggle against the Communists.

The following day at a Kuomintang memorial service the Generalissimo again appealed for confidence and faith of the people, particularly the country's leaders and Kuomintang members. While

admitting that the position of the country is serious, he declared that there was no cause for alarm and seriously belabored the press for its contribution to the general confusion and, in certain places, chaotic conditions. He referred specifically to "unrealistic reporting" in northern papers of the Shanghai buying spree and to a similar kind of reporting in Shanghai of runs on commodity stores in the North. In a masterful understatement the President continued—"For the past three months the military developments have not been to our advantage in almost all places". Surprisingly enough, he laid this to the fact that Army Commanders were not entrusted with full authority, that they were hampered by outside interference in the execution of their missions. He recommended that these Commanders be entrusted with full confidence and not be obstructed by political considerations.

The full text of the Generalissimo's Double Ten Speech is enclosed⁷⁷ for the Department's records.

Respectfully yours,

For the Ambassador:
JOHN WESLEY JONES
Counselor of Embassy

893.00/10-1948: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 19, 1948.

[Received October 18—11:26 p. m.]

1932. Communist north Shensi broadcast October 18 announced:

"Led by its army commander, Kmt Sixtieth Army uprose against Kmt in Changchun yesterday. It has turned its guns on Kmt New Seventh Army attempting to put up resistance in city. Forces of People's Liberation Army are massing in suburbs to enter Changchun."

Same broadcast announced capture of Fan Han-chieh, vice commander of Kmt Manchurian Bandit Suppression Headquarters, 7 miles from Chinchow as he was trying to escape in disguise.

STUART

893.00/10-1948: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, October 19, 1948.

[Received October 19—2:24 a. m.]

366. Communist Hsin Hua radio October 16 carried following news report (in English translation):

⁷⁷ Not printed.

"In battle which lasted only 31 hours Northeastern People's Liberation Army at 6 o'clock yesterday afternoon (that is, October 15) completely occupied Chinchow city, important strategic enemy town in Liaohsi corridor and vital supply base of enemy forces in Northeast. Whole of enemy garrison troops were wiped out. They comprised Kuomintang regular forces of Chinchow front command office of Northeastern Bandit Suppression Headquarters of Hopei-Jehol-Liaoning border area, headquarters of 6th Regiment, the three whole divisions of Ninety-third Army (namely, temporary 18th Division, temporary 20th Division and temporary 22nd Division), the three whole divisions of New Eighth Army (namely 88th Division, temporary 54th Division and temporary 55th Division) and parts of 184th Division of Sixtieth Army, 79th Division of the Forty-ninth Army, 12th Artillery Regiment and 16th Artillery Regiment, 3rd Tank Regiment, 22nd Engineering Regiment, 2nd Gendarme Regiment and a Motor Transport Regiment.

Enemy regional forces wiped out included 3 volunteer regiments assigned to garrison Liaohsi corridor, 1st Cavalry Detachment, 26th Cavalry Corps and East Jehol Vanguard Detachment, as well as many other unidentified units. A total of 100,000 enemy troops were wiped out without exception and war trophies captured included large quantities of ammunition and materials. Investigation is being held into results of battle. ["]

Same source October 18 claimed capture Chinchow Commanding General Fan Han-chieh.

Sent Department, repeated Nanking 90, Mukden, Tientsin.

CLUBB

893.00/10-1948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 19, 1948—3 p. m.

[Received October 20—7 : 23 a. m.]

411. Early collapse Chinchow defenses caused by defection two divisions Govt Ninety-third Army. By prearranged agreement Communists avoided contact these two divisions defending north and west sections city and divisions allowed Communists move through their area without offering resistance. (ConGentel 536 [to] Embassy, 400 to Department,⁷⁸ 129 to Tientsin and 216 Peiping).

Govt Sixtieth Army Chinchow moved 10 miles east Chinchow on October 17 and surrendered in toto to Communists. Are now absorbed in Communist forces as an army unit. (ConGentel dated October 7, 531 Nanking, repeated Dept 399, 215 Peiping, 128 Tientsin). Not believed remaining Govt Seventh Army will be affirmed [apparently garbled] reports received Chinchow taken by Communists October 18.

⁷⁸ October 13, 9 a. m., not printed.

Communists 12th Column formerly Kaiyuan are moving northwards towards Ssuning.

Immediate plans both Communists and Govt unclear. Move 3 Communist columns from Chinchow area southwards toward Chihhsi-Hulutao may portend all-out effort by Communists take Chihhsi and Hulutao. If these two points taken, northeastern and north China Communist[s] then in position join forces. Main Communist forces, however, not yet sufficiently committed foresee whether drive will be southwards Mukden.

Govt military leaders considerably shaken by events past several days. Three possibilities exist:

1. Attempt evacuate northeast and join north Chinese forces by fighting way through to Chihhsi (success such undertaking would depend largely whether or not Communists desire such troops movement. Such an undertaking would naturally make Mukden immediately vulnerable Communist occupation. ConGen will be on alert indications such move and I will appreciate immediate advice by Embassy or other American agencies if any information received indicating such future intent by Govt).

2. Similar move by Govt to evacuate troops through Yingkow (again such action would have immediate and far-reaching effect Mukden situation).

3. Withdraw Govt forces from present advance positions west and north Mukden to within former Mukden defense perimeter (unconfirmed reports state such action ordered by Generalissimo. If adopted such act will transform Mukden into "second Chinchow". Duration Govt tenure northeast would then probably depend largely Communists' willingness or unwillingness sacrifice large number SS [*shock?*] troops hasten complete collapse).

According unconfirmed report, anti-Moscow Communist group Harbin planning second "Tito" incident⁷⁹ that area to combat increasing Soviet control Manchuria.

Sent Nanking 534, repeated Department, Peiping 222, Tientsin 135.

WARD

893.00/10-1948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 19, 1948—4 p. m.

[Received October 19—5:03 a. m.]

1934. Vice Minister National Defense Cheng Kai-min tells us Wei Li-huang has been relieved by Tu Yu-ming in northwest [*northeast*] and that Tu commands troops now allegedly marching southwest to

⁷⁹ Reference to defection of Yugoslavia from the Cominform on June 28.

attack Communists in Corridor. In spite of Tu's known incapability, move is said to be on typical Chinese basis; that troops involved were formerly Tu's; that there was evidence they wanted to fight; and that, therefore, Tu should be placed in command, Wei having demonstrated unwillingness to fight.

STUART

 893.00/10-2148: Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, October 21, 1948—3 a. m.

[Received 5:32 a. m.]

293. KMA at Tangshan reports arrival there of units of Taiwan trained army which recently arrived at Tangku. Mines area quiet.

Chinese press reported Changli again occupied by Communists. Apparently no Govt troops there.

Sent Nanking 536, repeated Department 293, Peiping.

SMYTH

 893.00/10-2148: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, October 21, 1948—11 a. m.

[Received October 21—7:14 a. m.]

371. Loss Chinchow coupled with previous fall Tsinan to all evidence renders Nationalists' position Peiping-Tientsin area untenable given existing over-all position Nationalists Manchuria and North China. Fall Changchun and Taiyuan as well resulting isolation Mukden for its slow starvation and in releasing large number Communist forces for action North China, would render Fu open and vulnerable to attack shortly thereafter by major Commy force where heretofore he has had to deal with only weak forces of Nieh Jung-chen.⁸⁰

Changchun seems about to fall. Taiyuan is in perilous position with last airfield threatened by Communist fire. Examples of Tsinan and Chinchow point up fact even best defended Nationalists' strong points are now susceptible of being overcome by Communist frontal attack. Fu appears in fact to have scored in recent fighting vicinity Nankow pass but this cannot compensate for disruption his communications with Suiyuan base (Communists occupy Tsinan and are attacking Taolin as well as having long ago conclusively disrupted Ping-sui rail communications) and growing isolation of Paoting

⁸⁰ Communist Commander in North China military area.

north, say nothing of balancing loss of Chinchow. Communists now this area remain strong enough to imperil Nationalist communications and create serious diversions.

Presence here of Generalissimo presumably has something to do with situation but information unavailable. Shansi leader Yen Hsi-shan ⁸¹ reliably reported proposing obtaining 100,000 Jap troops to turn tide civil war. Reported presence near Taiyuan of strong Communists regular forces led by experienced Communist leader Hsu Hsiang-chien indicates that Yen can hardly be saved in any event. Suggestive report is Generalissimo endeavoring get Fu take over Manchuria command as well as present burdens but Fu is refusing. Generalissimo has now by report promised Fu supply war material but latter has received from Nationalist Govt in nearly 1 year of his command only pitiful amount of munitions instead of major supply equipment demanded and needed, his reluctance to undertake escape govt suicide role quite understandable. It can only be concluded that he will retire westward in due time and save himself and modicum of his power by establishing close military contact with Ma Hung-kuei. Time for decision must come when Communists whether one or three or more months hence move against this area in force. It is already well past eleventh hour in North China. But if North China stands at this date on brink of disaster it is due in large part to Nanking's consistent selfish suspicious neglect in past.

Sent Dept 371, repeated Nanking 566, Mukden.

CLUBB

893.00/10-2148: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, October 21, 1948—5 p. m.

[Received 10:46 p. m.]

376. Trusted informed source characterizes National military position Manchuria as very critical. States that Chinchow fell through failure 4 divisions from Mukden and 4 from Hulutao arrive Chinchow within 3 days as scheduled whereupon 4 divisions Chinchow "were finished", and that same 8 divisions are now refusing advance (apparently by reluctance their commanders undertake task).

Generals Wei Li-huang and Tu Yu-ming, per same source, arrived secretly Peiping yesterday for conference with Generalissimo but may have returned Mukden today. Generalissimo and Madame seen by informant re situation and Generalissimo is considering resigning. (This section must not get back to any Chinese circle in any way, for safety informant.)

⁸¹ Taiyuan Pacification Commander and Governor of Shansi.

Source said Fu Tso-yi would not [*now?*] be reluctant even have National troops dispatched this area for fear their indiscipline. He opined also that Nanking Governmental circles do not yet realize seriousness of situation, that Vice Premier Chang Li-sheng (now in Peiping) does, but that Generalissimo has not changed his mind re his ability control situation by methods previously used. (Due conflict last statement with paragraph 2, suggest it merely means Generalissimo contemplates no shift in his established position re Communist problem.)

Department please pass to Embassy, Nanking.

CLUBB

893.00/10-2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 22, 1948—3 p. m.

[Received October 22—7:42 a. m.]

1971. China situation, as portrayed Embtel 1920, October 15,⁸² and Embtel 1922, October 16, requires, in our opinion, reappraisal of our China policy. We assume that our purposes in Far East continue best to be served by existence of political stability in China under friendly government. Trend is now in opposite direction and we must seek means to alter it. Inaction would not be in our interests.

Present regime has lost confidence of people. This is reflected in refusal of soldiers to fight and in refusal of people to cooperate in economic reforms. Government leaders are befuddled and need guidance if situation is to be saved. Accordingly, we recommend that:

We continue to support present regime to the utmost feasible in light of our commitments elsewhere and of our total resources. This would require the concentration of our military and economic aid in all-out effort to assist the Government in containing Communist armed forces within their present military boundaries. Present measures and those now planned are insufficient for the task. More bold and more imaginative measures are needed. If suggested course of action is followed, possibly a restatement of our China policy by the President or Secretary of State is needed. It might be well publicly to make known our position on coalition governments in general which include Communist participation, and particularly the effect of the emergence of such governments on our ECA program. We would certainly have to go to the Generalissimo, point out the desperate situation and endeavor to impress upon him the need for drastic action, including removal of incompetents.

⁸² See vol. VIII, "Financial Relations".

In addition, we should:

(a) Make strenuous efforts to find some way to reinstill into the Chinese Nationalist soldier the will to fight. This might be done by materially increasing staff of CO, JUSMAG⁸³ and giving him complete authority to extend advice of his group as far down the Chinese military command as possible after prior agreement of Generalissimo that acceptance and implementation JUSMAG advice on all military questions, including personnel, will be price of stepped-up American aid in military and other fields;

(b) Rush shipment of arms and ammunition already requisitioned and any other than can be located and made available in US bottoms, including Navy vessels or by any other expeditious means, to China ports with as little delay as possible;

(c) Telescope entire commodity portion of China Aid Program into shipments within next few months even at expense of ECA shipments to other parts of world in less critical position (Embtel 1748, September 22, and Deptel 1433, October 12⁸⁴);

(d) Endeavor in meantime to deter those seeking coalition by announcing, as suggested above, that US Government would most certainly have to review in its entirety the Aid to China Program in the event of coalition in China including Communist participation. At the same time, we should be authorized informally and confidentially to state in conversations with political leaders, including Marshal Li Chi-sen, and with Government officials that they should be under no illusions that the US Government and the US tax payers would be willing to continue economic assistance to a Communist-dominated coalition government in China or elsewhere. At the same time, we could point out the historical dangers of coalition government with Communist participation. All important coastal cities, and to lesser extent their tributary territories, are heavily dependent for their economic life on ECA imports for total or marginal quantities of petroleum products, cotton, rice, flour and fertilizers. By our ability to continue or stop this Aid Program, we possess a politico-economic lever of key importance. Not only could this import program be denied an unfriendly government, but the threat of its discontinuance might conceivably defer, if not prevent, the formation of a Communist-dominated coalition government in Nanking.

Such action might also conceivably restore some measure of will to resist among those who desperately do not want to become Communists, but who see no alternative. It would, of course, involve refusal to recognize any puppet or so-called coalition government which might be set up in North China or Manchuria by the Communists, and would require that we continue to support the Nationalist Government even though in following a policy of "giving space for time" it were driven from its seat in Nanking with all the loss of prestige which such a move would entail.

Such a course of action, even with only reasonable prospects of

⁸³ Commanding officer, Joint U. S. Military Advisory Group in China.

⁸⁴ Both telegrams are printed in vol. VIII, "Financial Relations".

success, would appear to be that which is in the best interests of the US. Nevertheless, given our commitments elsewhere, and given the limits of our national resources, Department may well feel that our recommended course of action is impossible. Also, our military advisers feel that the Nationalist military establishment has very likely already suffered too great losses in manpower, matériel and morale to make any such effort successful. There is just no will to fight left in Nationalist forces and we can find no effective way to change the situation. A moral resurgence of Chinese will to resist Communist aggression is required and the requisite leadership just is not available. Unhappily, informed Chinese in all walks of life are bending their every effort to save their families, not their country.

Nevertheless, we feel the effort should be made as the only alternative we see is a Communist-dominated coalition. Such a coalition would confront us with the necessity of recognizing that government and making the best of it or getting out of China. The dead hand of Kmt leadership has hitherto stultified our efforts and we see no prospect of removing that leadership by peaceful means other than coalition. Such coalition could come to power possibly through retirement of Generalissimo after censure by Control or Legislative Yuan or on advice of elder statesmen and his replacement by Vice President Li Tsung-jen who could negotiate the settlement with Communists. The coalition government we envisage will likely have a pseudo-democratic façade. When we speak of coalition, we do not mean coalition in the sense of coalition as it might have been developed under the PPC [*PCC?*] agreements in 1946.⁸⁵ It is too late for that type of coalition. The disappearance of the Generalissimo from the scene is a necessary prerequisite to the coalition envisaged and which will likely consist of Chinese Communists, KmtRC, certain residual fragments of Kmt, and prominent individuals of no significant political following whose influence is largely personal. The aim of the Communists would be the communization of China. The aim of those associating with them would be to prevent just that.

Should such a coalition develop, we should announce our decision to review in its entirety the Aid to China Program if we had not already done so, suspend all shipments, and then sit back and watch events until the situation clarified. It might later develop that by the wise use of the power given us by China's economic needs, we could exert some influence on the pattern of events. We might make the granting of economic aid contingent upon performance of political acts and adherence to policies specified by us. If the new government were so organized that considerable degree of autonomy accrued

⁸⁵ See Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 610-621.

to provincial administrations, we should endeavor to favor those autonomous areas remaining relatively free from Communistic influence, and there might, in fact, be small ways in which we could influence events.

The difficulties inherent in this situation are apparent. Non-Communist leaders have hitherto shown little marked capacity for that type of political activity which is necessary to create successful movement countering Communists. However, freed from dead hand of present government leadership and preoccupation with military matters, they might conceivably form some kind of effective resistance.

Staying in Nanking would not necessarily involve condonation of the Communist-dominated coalition government. It would involve recognition of it as a matter of practical politics, but we maintain diplomatic relations with other governments we dislike. It would mean unpalatable situation imposed on us by events in the absence of our capacity to execute the policy we recommend.

If there are other alternatives which suggests themselves to the Department, we would appreciate instructions for our guidance.

STUART

893.00/10-2248 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 22, 1948—3 p. m.

[Received October 23—2:12 a. m.]

419. Bewilderment and slight hysteria accompanying news fall Chinchow and Changchun subsiding among Chinese military here. Government has abandoned any plans drive westwards retake Chinchow. Main Government forces Mukden Island shifted southwestwards covering right flank two Government divisions driving Yingkow. Unconfirmed report received Government diverting 40% reinforcements scheduled for Chihhsi-Hulutao area to Yingkow assist northeast divisions in securing Yingkow. When Yingkow secured, Government will withdraw other extended outposts toward Mukden and defend former Mukden Island. Government anticipates this move will be completed by October 26. From now until such time Yingkow secure seen as critical period Mukden because necessity divert Mukden troops protect Yingkow move, leaves Mukden vulnerable sudden Communist attack.

Chinese military believe continued Government tenure northeast will depend upon military situation North and Central China. If Communists exert much pressure those areas, Government may be compelled withdraw forces northeast to bolster sagging defenses intramural China areas. If no such withdrawal made for next 5 days,

however, believe ample warning will be received by ConGen implement any necessary evacuation personnel or property.

Deep pessimism over general situation here and China proper prevails among informed and responsible Chinese civilians. Apparently believe end Government tenure China rapidly approaching, if not already in sight. Despondency increased by recent military reverses and breakdown economic rehabilitation plan and new currency.

Sent Nanking 567, Department 419, Peiping 225, Tientsin 139.

WARD

893.00/10-2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 22, 1948—5 p. m.

[Received October 22—6:01 a. m.]

1970. Hong Kong ConGen, quoting KmtRC source, states Tsai Ting-kai has reached Communist territory and interviewed Mao Tze-tung and Chou En-lai,⁸⁶ and has reported results to Marshal Li. Communist leaders reiterated desire have Marshal lead “independent reformed Kmt”. (See Embtel 1922, October 16) Tsai will “probably” lead KmtRC Army comprised of former Kmt troops, which captured or defecting Nationalist troops will be given chance to join. Tsai will “probably” be given large area for administration and control free from Communist domination. Mao and Tsai may soon jointly announce formation KmtRC Army.

We feel no inherent improbabilities in above. In present situation, KmtRC Army, which would probably not be employed in battle, would be haven for Nationalist commanders who might desire defect and yet fear put themselves in hands of Communists. Difficult predict date of formation this army. It is likely to be contingent on outcome negotiations between Tsai, representing Marshal Li, and Communist leaders on other issues.

Sent Department, pouched to Consulates, China.

STUART

893.032/10-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 23, 1948—2 p. m.

[Received October 23—9:01 a. m.]

1982. Foreign Affairs Committee of Legislative Yuan at regular meeting October 20 began discussion of proposed guiding principles

⁸⁶ Chairman and member of the Central Committee of the Chinese Communist Party.

for foreign policy, five points of which include: (1) strengthening UNO,⁸⁷ (2) maintenance and strengthening of Sino-American friendship and cooperation, (3) strict Soviet observance of Sino-Soviet treaty,⁸⁸ (4) regarding Japan—adherence to Potsdam declaration,⁸⁹ maintenance of China's right to veto decisions affecting industrial level, early signing of peace treaty, prevention of resurgence of militarism, support of official statements that US is not arming Japan, (5) protection of world peace.

Text of point (2) in full follows:

“Maintenance and strengthening of Sino-American friendship and cooperation:

1. In recent years because of Communist and left-wing propaganda American public opinion has inevitably lessened in understanding and sympathy for China. Henceforth, every effort must be made to correct this.

2. Strengthening cultural, educational, scientific and technical cooperation between China and US.

3. Promotion of expansion of American economic and military aid to China.”

Paragraph 1 above given headline play by CC dominated *Ta Kung Pao* with no mention whatever in other local Nanking dailies. Despite somewhat one-sided view of “Sino-American friendship and cooperation,” further committee discussion if given adequate press coverage may conceivably serve as partial antidote to anti-American expressions frequently appearing in local press.

STUART

893.00/10-2348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 23, 1948—2 p. m.

[Received October 23—9:26 a. m.]

1983. Personal for the Secretary. In view of developing situation as reported my 1971 of October 22, it is highly possible that Generalissimo and others will seek my advice. Anything that I say will of course be accepted as US policy; even my silence will be interpreted or construed as significant. I would therefore be grateful for your guidance urgently on the following several points likely to arise:

(a) Will we continue to recognize and support the Nationalist Government should they be forced to move elsewhere in China because of continuing military reverses?

⁸⁷ United Nations Organization.

⁸⁸ Signed at Moscow, August 14, 1945, *United States Relations With China*, p. 585, or United Nations Treaty Series, vol. 10, p. 300.

⁸⁹ Signed at Potsdam, July 26, 1945, *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1474.

(b) Would we advise the retirement of the Generalissimo in favor of Li Tsung-jen or some other National political leader with better prospects of forming a republican non-Communist government and of more effectively prosecuting the war against the Communist rebels?

(c) Would we approve the retirement of the Generalissimo in favor of some Chinese leader who could bring an end to the civil war on the best possible terms for the Nationalist forces and the non-Communist political parties?

(d) In the latter course would we recognize and support a coalition government resulting from termination of hostilities and involving cooperation with the Communists for a united China? or,

(e) Would we give *de facto* recognition to such government, the while withholding any ECA or other support?

I appreciate the difficulties which these seemingly hypothetical questions pose for you and your advisors. However, in the acute crisis which I foresee for the Generalissimo and his Government, I feel that I must have the benefit of your most recent thinking on the above specific points or in more general terms if you prefer in order adequately represent the views of the US in this critical phase of our relations with China.

For Paris 6, repeated Department. Department pass Paris.

STUART

893.00/10-2348 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

WASHINGTON, October 24, 1948—1 p. m.

TELMAR 95. For the Secretary.⁹⁰ Nanking's tel no. 1971 Oct 22, sent Paris as TELMAR 94 Oct 23, together with Nanking's 1983 Oct 23 sent Paris as Nanking's 6 in which Amb Stuart personally associates himself with first tel, should by now have come to your attention. We have carefully reviewed appraisal and recommendations set forth these tels and are submitting in immediately following message our comments in form suggested reply to Amb.⁹¹

Embtel 1971 appears to contradict in many ways views previously expressed by Amb in his tels and despatches and in a sense offers its own answer when he states: "our military advisers feel that the Nationalist military establishment has very likely already suffered too great losses in manpower, matériel and morale to make any such effort successful. There is just no will to fight left in Nationalist forces and we can find no effective way to change the situation. A moral resurgence of Chinese will to resist Communist aggression is required and

⁹⁰ The Secretary of State was attending a meeting of Foreign Ministers in Paris.

⁹¹ See telegram No. 1490, October 26, noon, to the Ambassador in China, p. 512.

the requisite leadership just is not available". Our comments in the suggested reply are indicative of the extent to which we have been guided in our thinking on this problem by reports submitted to Dept over a period of several months by Amb and various consular offices in China. While our suggested reply is somewhat lengthy, it is our opinion that matter is sufficiently important to warrant detailed exposition of our thinking on this problem and background for our conclusions drawn from number of interchanges between Dept and Emb which is recorded therein.

LOVETT

893.00/10-2548 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 25, 1948.

[Received October 25—3:40 a. m.]

421. *Hsin Pao* (Youth Army organ) editorial yesterday states Communist forces growing stronger under command and assistance Russia and suggests Government admit it is too weak militarily, politically and economically suppress Communists and accept mediation making concessions and also persuade Communists hand back Northeast to China. This is first instance in which Northeast press has advocated mediation with Communists.

Sent Department 421, repeated Nanking 571, Tientsin and Peiping.
WARD

893.00/10-2648 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart) ⁹²

WASHINGTON, October 26, 1948—noon.

1490. From Secretary. There is general agreement with your assumption that US purposes in Far East would as in past be best served by existence political stability in China under friendly govt and US policy and its implementation have been consistently directed toward that goal. (Embtels 1971 Oct 22 and 1983 Oct 23). However, underlying our recent relations with China have been fundamental consideration that US must not become directly involved in Chinese civil war and US must not assume responsibility for underwriting ChiGovt militarily and economically. Direct armed intervention in internal affairs China runs counter to traditional US policy toward China and would be contrary to clearly expressed intent of

⁹² Copy transmitted by the Acting Secretary of State to the White House on November 8 for President Truman at Key West, Florida.

Congress, which indicated that US aid to China under \$125 million grants⁹³ did not involve use US combat troops nor US personnel in command Chinese troops. Public statements in Congress by leaders of Senate Foreign Relations Committee, which initiated Sec 404 (b) China Aid Act,⁹⁴ indicated that aid to China under \$125 million grants must be completely clear of implication US underwriting military campaign ChiGovt since any such implication would be impossible over so vast an area.

Our China Aid Program was designed give ChiGovt breathing spell to initiate those vital steps necessary to provide framework within which base for economic recovery might be laid and essential for its survival. It was made clear that for main part solution China's problems was largely one for Chinese themselves and aid was intended give ChiGovt further opportunity take measures self-help.

General basic considerations governing our approach to China problem were set forth in my statement before Senate Foreign Relations and House Foreign Affairs Committees executive sessions,⁹⁵ copy of which forwarded to you. US Govt must be exceedingly careful that it does not become committed to a policy involving absorption of its resources to an unpredictable extent as would be case if the obligations are assumed of a direct responsibility for the conduct of civil war in China or for Chinese economy, or both. To achieve objective of reducing Chinese Communists to a completely negligible factor in China in immediate future it would be necessary for US virtually to take over ChiGovt and administer its economic, military and govt affairs. Strong Chinese sensibilities regarding infringement China's sovereignty, intense feeling of nationalism among all Chinese and unavailability of qualified US personnel in large numbers required argue strongly against attempting such a solution. It would be impossible estimate final cost course of action this magnitude. It certainly would be a continuing operation for long time to come. It would involve US Govt in a continuing commitment from which it would practically be impossible withdraw, and it would very probably involve grave consequences this nation by making of China arena of international conflict. Present developments make it unlikely that any amount US military or economic aid could make present ChiGovt capable of reestablishing and then maintaining its control throughout all China. There is little evidence that fundamental weaknesses of ChiGovt can be basically corrected by foreign aid. These considerations were set forth in my statement in Feb and they are certainly no less true under present circumstances.

⁹³ See vol. VIII, "U.S. Military Assistance to China" (Ch. II).

⁹⁴ Approved April 3, 1948; 62 Stat. 158.

⁹⁵ See vol. VIII, "U.S. Economic Aid to China" (Ch. I).

Despite US aid since V-J Day including China Aid Program deterioration has continued to point, as you say in urtel no. 1971 Oct 22, present regime has lost confidence of people, reflected in refusal soldiers fight and refusal people cooperate in economic reforms. This description generally consistent with that given previous Embtels and desps and Shanghai tel no. 2229 Oct 21,⁹⁶ which quotes Mayor,⁹⁷ strong Gimo supporter, as saying 99 percent people against Govt and Taipei tel no. 76 Oct 22⁹⁸ which quotes Governor as saying unless Govt gets out of office soon people themselves are about ready to throw them out.

In urtel no. 947 May 26 you state present Govt lacks capability halt spread Communism and will continue lack capability unless, as seems unlikely, it can find inspired leadership needed rally people and restore to National armies will to fight. You also say Gimo cannot be expected provide that leadership as he seems incapable change and gives every evidence of intention persist in personal rule which has resulted in present sad state affairs. Furthermore, in urdesp 273 June 14 you describe Gimo's assurance agreement your recommendation re conduct military operations by Gen Ho Ying-chin with Gen Barr's close collaboration and his subsequent instructions to contrary that all operations were to be carried out under Gimo's instructions through his "incompetent" Chief of Staff. Urtel no. 1115 Jun 22 states that it would appear Gimo's predisposition appoint his old and personally trusted comrades, regardless their proven corruption or lack ability, to posts responsibility still outweighs his desire for good govt. Urtel 1472 Aug 10 states there is no longer faith that present Govt can bring return to even bearable standard living without some radical reorganization; that without Gimo disintegration seems inevitable yet long experience with him suggests he no longer capable changing and reforming or discarding inefficient associates in favor competent ones; that one would expect Govt to clutch at any means improving situation but it ignores competent military advice and fails take advantage military opportunities offered, due large part fact Govt and military leadership continue deteriorate as Gimo selects men on basis personal reliability rather than military competence; and that there is awareness desperate military situation yet no evidence will or capability cope with it. In Embtel no. 1546 Aug 20 you state Gen Barr's advice to Gimo on specific problems arising from conduct current military operations has in general been ignored and that grave difficulties encountered by Gen Barr in accomplishment his mission originate entirely in failure Chinese high command

⁹⁶ Telegram No. 2229, not printed.

⁹⁷ K. C. Wu.

⁹⁸ Not printed.

perform its functions. In urtel 1473 Aug. 10 you state we must recognize that present Govt or any anti-Com Chinese combination can scarcely be expected completely eliminate Com menace by military or any other means. Urtel 1922 Oct 16 states not many Chinese who continue with conviction support Gimo except his immediate followers and certain ranking military officers and that Govt, but especially Gimo, more unpopular than ever and is increasingly denounced. You also say it is difficult see at this late date how any efforts on our part short of armed intervention on very large scale can avert further military disaster, with likelihood coalition in some form will result. In urtel no. 1971 Oct 22 you say "our military advisors" feel that Nationalist military establishment has very likely already suffered too great losses in manpower, matériel and morale to make any such effort successful, that there is just no will to fight left in Nationalist forces and you can find no effective way change situation. You further state a moral resurgence Chinese will to resist Com aggression required and the requisite leadership just is not available.

Foregoing picture China situation and possible developments generally borne out by other Emb tels and despatches, notably tels nos. 798 May 3, 832 May 7, 878 May 14, 881 May 15, 893 May 18, 947 May 26, 1071 June 11, 1115 June 22, 1124 June 23, 1239 July 6, 1264 July 12 and 1905 Oct 14⁹⁹ and despatches nos. 233 May 14, 264 Jun 8,¹ 273 June 14 and 312 July 17. This appraisal also borne out by other info reaching Dept such as Tientsin tel no. 288 Oct 14.²

Recent Nationalist military reverses support foregoing military picture. Tsingtao's tel no. 150 Oct 1 states majority Govt troops at Tsinan did not want to fight while those that did fight found their position made impossible by the disaffected and that Govt forces Tsinan had ample ammo and food and assurance further supplies in event protracted siege. Mukden's tel no. 411 Oct 19 gives similar picture fall Chinchow stating early collapse Chinchow defenses caused by defection two divisions Govt 93rd Army. Fall Changchun similarly aided by defection Govt units. In each case fall cities reportedly accompanied by loss considerable quantities military matériel and destruction, through defection and surrender sizable numbers Govt troops.

In light foregoing appraisal, recommendations urtel 1971 seem inconsistent. Possibly pressing Gimo for removal incompetents does not appear promising in light his recent appointment, as reported urtel 1934, Oct 19, of Gen Tu Li-ming to command in Northeast in face repeated US advice against placing him in responsible command.

⁹⁹ Telegram No. 1905, not printed.

¹ Despatch No. 264, not printed.

² Not printed.

Reference to increased JUSMAG personnel, functions and authority after prior agreement by Gimo on acceptance and implementation JUSMAG advice as price stepped-up US aid flies in face all previous experience US advisors in China. You will recall decisions re US military advisers reached in my meeting with Secy Royall,³ Undsecy Draper,⁴ Gen Bradley,⁵ Gen Wedemeyer⁶ and others Jun 11⁷ (Dept's Instruction no. 119 Jun 22⁸) when it was agreed US military advisers should not be placed with Chinese units in operational areas.

With reference shipments arms and ammo as quickly as possible, U. S. National Military Establishment making every effort speed delivery military matériel being purchased from \$125 million grants. Dept Army states informally loading nearly all ammo covered by Chinese request for \$37.8 million arms and ammo expected be completed on West Coast about mid-Nov and shipment should reach China by early Dec. Every effort being made expedite shipment other matériel under this program. National Military Establishment also endeavoring arrange shipment all arms and ammo which SCAP⁹ can advance and delivery this matériel expected be made during Nov. Authorization disbursement \$103 million requested by Chinese from \$125 million grants has been transmitted by Dept to Treasury Dept and latter has paid to Chinese or to U. S. Depts Army, Navy and Air Force as directed by Chinese \$97 million this total, balance \$6 million to be paid Oct 25. You will realize no means exists extend military aid China other than US assistance Chinese under \$125 million grants.

In summary, adoption course recommended urtel 1971 would violate all basic considerations underlying US policy toward China, would involve US directly in China's civil war, would commit this Govt to underwriting Chi Govt militarily and economically at a cost which it would be impossible estimate at time when US has heavy commitments throughout world in connection with foreign aid programs and would not, in light appraisals situation submitted by Emb and consular offices in China over period several months, achieve its avowed objectives.

With respect hypothetical questions raised urtel 1983 Oct 23, US Govt cannot place itself in position advising retirement Gimo or appointment any other Chinese as head Chi Govt. To offer such advice is to accept responsibility for developments arising from

³ Kenneth C. Royall, Secretary of the Army.

⁴ William H. Draper, Jr., Under Secretary of the Army.

⁵ Gen. Omar N. Bradley, Chief of Staff, United States Army.

⁶ Lt. Gen. Albert C. Wedemeyer, Director of Plans and Operations, General Staff, United States Army.

⁷ See memorandum by the Secretary of State, June 11, vol. VIII, "U.S. Military Assistance to China" (Ch. II).

⁸ Not printed.

⁹ Supreme Commander, Allied Powers, Japan (MacArthur).

acceptance thereof and inferentially to commit US Govt to support succeeding regime regardless US interests. The difficulty of our position in event Gimo and his Govt raise such questions is appreciated but it is not in national interest to vouchsafe cut and dried answers to these oversimplified questions. An illustration their oversimplification contained in urtels 1922 Oct 16 and 1971 Oct 22 with reference removal Govt from Nanking. In former, speaking of possibility Gimo's flight with leading members Govt to other location in China, you say he would find very small following in new location, flight would be construed as admission defeat and it seems most unlikely that such regime would ever become rallying point for effective counter-revolution whether in exile abroad or moved elsewhere in China. You further state little good and much harm will ensue if we continue support Gimo after he has been rejected by all except small group. In urtel 1971 you say course recommended by you would require that we continue support Nationalist Govt even though it were driven from Nanking with all loss prestige such move would entail. What can be said in answer your questions is that US Govt will certainly continue support National Govt as long as it remains important factor on the Chinese scene. What course we would adopt should it move from Nanking, collapse, disappear or merge in a coalition with Communists would have to be decided at the time in light US interests and the then existing situation.

As stated in my tel 1180 Aug 13, it not likely that situation will make it possible for us at this juncture formulate any rigid plans for our future policy in China. Developments in China are obviously entering into period extreme flux and confusion in which it will be impossible with surety perceive clearly far in advance pattern things to come and in which this Govt plainly must preserve maximum freedom action. [Marshall.]

LOVETT

893.00/10-2648 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, October 26, 1948—4 p. m.

[Received October 27—4: 58 a. m.]

302. According KMA report from Chinwangtao, Government troops there openly saying they have no intention fighting if Communists arrive, but will turn over to Communists. This is further indication deterioration morale Government forces. Troops concerned units of Ninety-second Army under Fu Tso-yi's command but not his own troops. So far we have heard no such reports about Fu's own

troops; Chinese officials Tientsin greatly concerned over food question. Relaxation police control over prices has resulted some supplies coming in from countryside, but reported Communist standing offer 30 percent premium over any Government prices offered for wheat and other grains expected prevent much from coming in.

KMA states if food not available for 60,000 mine workers Tangshan area, many must go over to Communists' areas to eat. ECA assisting but Chinese Government apparently unwilling or unable to relieve situation.

New Star, daily paper published here by graduates Yenching University, published bitter editorial yesterday entitled "We Must Have Peace". This is first editorial in Tientsin openly demanding peace. Translation sent in our telegram 547, October 26.¹⁰

Sent Nanking 546, repeated Department 302, Shanghai 514, Peiping and Mukden.

SMYTH

893.00/10-2648 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*¹¹

NANKING, October 26, 1948—8 p. m.

[Received October 27—9:58 a. m.]

2003. Supplementing my 1971, October 22, may I give you below my more personal thoughts on China situation:

If it is to be assumed that we shall not withdraw entirely from other than purely diplomatic activities in China and that outright military aid seems to be impracticable or inadvisable, then we should be prepared to deal with any form of coalition on terms largely determined by US. For our position in world today, and especially our commitments in China, are such that our attitude will have a very considerable influence in shaping course of events in this country.

Any direct military aid to resistance groups on theory that we are fighting communism all over the world would seem to me unwise. It could only delay their ultimate liquidation and would meanwhile arouse increased anti-American sentiment and expose our nationals in coalition territory to danger. Transportation and other difficulties in reaching these resistance leaders and ensuring proper use of our supplies would be enormous. But chief objection would perhaps be that this is one of negative or vacillating courses which we should at all costs avoid.

It would seem to me no less undesirable to make any premature

¹⁰ To Nanking; repeated to the Department as No. 304, not printed.

¹¹ Copy transmitted by the Acting Secretary of State to the White House on November 8, for President Truman at Key West, Florida.

announcements as to our intentions or our general opinion of communism that would endanger our existing national interests in China or embarrass us in future. Whatever influence we may want to exert will be increased if our attitude toward new regime is undefined and flexible. It is pertinent to remind ourselves that President Truman's statement of December 15, 1945¹² was drafted by present Secretary of State as were in large part the PCC resolutions which will probably be basis for new coalition and that reversal of our policy is due to events since then outside of China rather than within. We should prevent as far as possible any accusations of inconsistency.

As we grapple with main issue we should try not only to rid ourselves of prejudices and fears which cluster around word "communism" but determine on a hopefully constructive and positive approach in our own thinking. After all there is a great deal that is praiseworthy and beneficial to their fellow-countrymen in Chinese Communist movement just as there is much that we must deplore and condemn in Kmt. If better features of each could be blended and in the process freed from more objectionable ones, it would be a fine combination. Long experience with Kmt makes me dubious of any such improvement without some such very potent infusion from without and nonpartisan liberals have not yet demonstrated any capacity to supply this.

What we really object to in communism is not its admittedly socialized reforms but its intolerance, its insidious reliance on Fifth Column and similar secretive methods, its ruthless suppression of all thought or action that does not conform, its denial of individual human rights, its unscrupulous reliance on lying propaganda and any other immoral means to attain its ends, its fanatical dogmatism including its brief in necessity for violent revolution. All these evils, plus fact that policy is directed from Moscow, apply to Chinese communism as truly as elsewhere. Our problem is how to retard or expose or neutralize their influence in China.

Evil in communism is moral or political rather than military. Pre-eminence of latter aspect in China is largely a historical accident. Even if we had been able to assist Chiang government by military means to clear an area of militant communism—which is all we could have hoped to do at best—we would still have been obliged to assist in educational and other processes by which non-Communist section would be able to demonstrate superiority of genuine democracy. Otherwise military gains would have proved self-defeating.

Prospective coalition does not too greatly vitiate this opportunity. We have in general two powerful advantages. One is nature of

¹² *United States Relations With China*, p. 607.

Chinese people. Great majority of them do not want their country to be communized. Even more radical students join CP more because of disgust with Kmt than from an attraction to Marxist ideology. Chinese are individualistic. Their primary loyalties are not to an abstract cause or ideology but to inherited social patterns and cultural attachments. They are instinctively friendly to and trustful of US and they correspondingly fear and dislike Russia. Other characteristics of theirs will readily suggest themselves as not fitting in with Communist way of life. Other advantage is China's need of technological and economic aid which only we can furnish. Any Communist-controlled government would have to cope with this problem in order to avoid popular dissatisfaction felt against present one. We could condition our assistance in ways that might radically affect enforcement of totalitarian procedure. Basic freedoms, well planned publicity, productive enterprises, etc., would all have a heartening moral influence upon those whose convictions are essentially same as ours. It is not at all impossible that this would lead to formation of political parties whose struggles however turbulent would not have devastating consequences of armed conflict. Out of all this should emerge a political structure and a prevailing sentiment at least as promising from our standpoint as would be likely to develop from any other process by which we could hope to mediate our goodwill for people of China.

STUART

893.00/10-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 26, 1948—9 p. m.

[Received October 27—2:15 a. m.]

2005. Every indication is that Generalissimo has issued instructions definitive abandonment Mukden. Contrary, however, to advice his military specialists, Generalissimo who is directing military operations from Peiping, isolated from his sources of intelligence Nanking, is permitting, if not directing attempt evacuation via Yingkow rather than a fight southwestward from Mukden in effort relieve pressure Hulutao. Our best military advice is that movement indicates unwillingness trust Nationalist troops Mukden in combat against Communists and effort effect their removal with minimum risk defection. In other words there is evidence of interference Generalissimo in what might otherwise have been effective action in such manner as to assure, in opinion our military advisors, complete failure to save valuable and efficiently equipped armies Mukden.

STUART

893.00/10-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 26, 1948—9 p. m.

[Received October 27—7:32 a. m.]

2006. Chen Li-fu¹³ called by appointment October 25 with announced purpose discussing critical situation China. Anticipating from him constructive ideas for improving situation, I found him only with what might be described as tearful pleas for US aid to China in struggle against international communism.

Chen's visit is to me indicative of befuddlement in high Chinese Government circles and of obvious inability present Chinese Government leaders to take any measures to help themselves.

STUART

893.00/10-2748 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, October 27, 1948.

[Received October 27—3:03 a. m.]

305. Local press reports faculties of Nankai and Peiyang Universities will suspend class work for 3 days as "protest against present state of unbearable living".

Sent Nanking 549, repeated Department 305, Shanghai 517 and Peiping.

SMYTH

893.00/10-2748 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, October 27, 1948.

[Received October 27—5:12 a. m.]

395. Following is translation of Communist Hsin Hua radio broadcast of 25th:

"(North China front dispatch) People's Liberation Army under command of Generals Yang Teh-chih, Lo Jui-ching, Yang Cheng-wu, Li Ching-chuan has gained control of Peiping-Suiyuan railway. During past month since starting in September of its autumnal campaign which has as its aim annihilation of bandit forces under Fu Tso-yi, (Communist) Army annihilated and captured more than 10,000 of Fu's men, destroyed at several points Peiping-Kalgan stretch of Peiping-Suiyuan railway, and captured Kuyuan and Chungli in north Chahar, Cholu in south Chahar, Tsining, Fengchen, Hsingho and Taolin in east Suiyuan, Liangcheng, Holin, Chingshuiho and

¹³ Vice President of the Chinese Legislative Yuan.

Toketo in south Suiyuan and Wuchuan, Saratsi and Paotow in west Suiyuan. With sole exception of two enemy strongholds of Tatung and Kweisui, the whole (of railway) from Kalgan to Paotow has been subjected to control of Liberation Army. Enemy garrison forces at Paotow, which had earlier evacuated Yulin, fled westwards for fear of being wiped out. They are being hotly pursued by Liberation Army. Paotow is important commercial town whose occupation will prove of great significance toward complete liberation of Suiyuan. Main force of Fu Tso-yi is being massed along Peiping-Kalgan railway. At present Fu is daily conferring with bandit Chiang (Kai-shek), now in Peiping, with view to finding ways and means to relieve critical situation, though this will be of little avail."

Sent Department; repeated Nanking 591, Tientsin and Mukden.

CLUBB

893.00/10-2748 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 27, 1948—2 p. m.

[Received October 27—7:58 a. m.]

429. Wei summoned me half hour ago. He has appearance of living on nerves alone. I doubt he has slept since I saw him night before last. He stated Mukden situation critical but even should deterioration continue Peiping military airport will be operable with safety at least another week. Has resigned 7 times in past several weeks, and present Government plans for east not his but Generalissimo's. He continues advocate concentrating all Government troops within Mukden defense zone, which Generalissimo opposes. He indicated troops may fall back on Yingkow, but was emphatic in stating he entertains no hope for success such movement and subsequent evacuation through Yingkow. Madame Wei acted as interpreter and I gathered she is on verge of departure for Peiping.

Sent Nanking 579, repeated Department.

WARD

811.20200(D)/10-2748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 27, 1948—5 p. m.

[Received October 27—9:39 a. m.]

2015. Trend of events in China makes it imperative informational policy be geared to short range objectives and all efforts devoted this end alone. We can no longer afford to waste time detailing life in America. We must expend all energy in fight against communism and drop long-range objectives for time being.

Chinese are generally much too indifferent to present crisis in so far as it points towards Communist victory. Since Government has failed to win people to its cause, we must at least wage bitter fight to limit our resources, spotlighting predicament Chinese people will face if Communists or Communist dominated coalition Government gain control China. We cannot sit idly by painting bright picture of U. S. and hope such efforts will turn aside Communist tide. We must use every available fact and all our energies to paint real picture of Communist menace, citing events in USSR, Yugoslavia and elsewhere behind Iron Curtain. We must bring home to Chinese people facts of terrible yoke of slavery which faces all who surrender to communism in mistaken belief it offers hope to common people.

To this end USIS program must immediately be strengthened in all media. News file must be targeted at Communist threat. Poster program has no time for portraying college life in U. S. A., flood control, etc. Our informational media must forcefully explain our own objectives and efforts toward world peace and effectively prove that communism is the principal stumbling block today to world security and a better world for all mankind. The heavy threat of communism must be exposed clearly and factually for all to see and judge for themselves. In particular we must explain and prove great evils and loss of freedom communism holds in store for China.

At same time every useful fact on our ECA aid program must be seized to show our support of all who fight against communism. We must avoid any act at all cost which might undermine Chinese Government efforts to halt Red tide. Should time come when coalition government comes to power, we must be prepared direct entire output to all-out support such non-Communist groups as continue to exist, making it crystal clear that U. S. offers no aid whatever now or futurely to Communist groups for Communist dominated government. Efforts of non-Communist groups will be strengthened and possibly derive support from wavering elements by clear cut informational policy now.

Time already is against us. Special materials to meet the challenge must quickly reach us. USIS can meet this challenge if given the weapons to fight with.

Acting USIS Director concurs.

STUART

893.00/10-2748 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 27, 1948—7 p. m.

[Received October 29—1 : 52 a. m.]

432. Government military tactics Northeast past week resemble comedy errors if consequences Government were not so tragic. Gen-

eralissimo assumed burden personally directing military moves from desk in Peiping. Aim was evacuation Northeastern troops. Point evacuation apparently unknown even by commanders involved. Thus far, Four and part Fifth Government Armies have been surrounded by Communists. All except two armies have been separated and units [of] size division or smaller attempting make way back to Mukden Island. New First and Forty-ninth only two armies escaping with any semblance order although New First lost all headquarters equipment. New First reported have arrived immediate Mukden area late afternoon today. Future Mukden depends numbers and equipment of Government troops able fight way out Communist pocket. If few units escape, probably only token resistance will be offered Communists Mukden area but if large units succeed returning, Mukden may well become second Changchun. Strong Communist units reported moving towards Fushun.

Any possibility more than one Government division presently Yingkow being evacuated intramural China exceedingly remote. Troop commanders and staff headquarters here bitter towards Generalissimo for bungling and inept direction operation. Wei's headquarters nothing more than message center for Generalissimo.

Sent Nanking 583; repeated Department, Tientsin 144 and Peiping 229.

WARD

893.00/10-2848 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 28, 1948—9 a. m.

[Received October 29—3:31 a. m.]

439. Embassy telegram 177¹⁴ today confirmed. Government New First, New Third, New Sixth, Fortieth North and Seventy-first Armies surrounded by Communists in attempt drive southwards to evacuate through Yingkow. Contact lost with above armies. Remnants expected straggle into Mukden area through Hsinmin. Two Government divisions Yingkow area reported being withdrawn northwards to Mukden Island. Possibility evacuation northeast troops to intramural China through Yingkow considered impracticable.

Probably only token resistance will be offered any Communist attack on Mukden. Army airfield being defended by 20 artillery pieces. Communist forces some 15 miles north Mukden not in sufficient strength capture city if Government troops choose to resist. If Communists appear in any force, very likely Government defenders will

¹⁴ Not printed.

capitulate with little if any defensive action since morale troops very low. Possible Communists [now feel?] Mukden so weakly defended that they may not bother attacking, will surround city with inferior troops, and, after completely neutralizing Government armies west Mukden, will again move in force against Hulitao.

Rumors current Generalissimo being held virtual prisoner Peiping by Li Tsung-jen group in process form coalition Government.

Sent Nanking 589, repeated Department 439.

WARD

893.00/10-2848

The Ambassador in China (Stuart) to the Secretary of State

No. 444

NANKING, October 28, 1948.

[Received November 8.]

SIR: I have the honor once more to supplement our cabled reports by a few more general comments on the rapidly worsening outlook for the National Government.

The Embassy has urged in substance that in view of this outlook American policy should be decided upon as early as current issues in the two countries permit, and that this policy be positive and thoroughgoing as being one of the most important factors in shaping the course of events in China. The Embassy also suggested in effect that American policy might conceivably take one of three forms: (1) Outright military aid to the Chiang Government with the combat advice and other features this would involve; (2) Tentative acceptance of a predominantly Communist Coalition in the hope that our influence would help to reduce or modify the Communist element; (3) Withdrawal of all official activities in China except the customary diplomatic ones, with the awareness that this would react unfavorably on all types of private American interests. My telegram no. 2003 of October 26, 8 p. m., was on the assumption that (1) being regarded as no longer practicable by our military experts (2) is better than (3) and by no means hopeless.

Before, however, finally rejecting (1) I should like to call attention to certain favoring circumstances if it should come up for further consideration. Whether at this stage it would still be technically feasible, what the financial and other costs would be, and how it would commend itself to the incoming administration are questions which I am not competent to answer.

Attempting to interpret the desires of the more or less patriotic, liberal and socially-minded leaders of the Government one constantly has a feeling that in the way they usually talk they are not doing themselves justice. It sounds as though they are supinely waiting

for us to come and rescue them from the mess into which they have gotten themselves, and that they are trying to frighten us with the bogey of Russia. This is partially correct. But there is much more to it than that. They are fully aware of the dangerous predicament of their country and of their own helplessness to do much about it. However much we may blame the Chinese generally for this state of things, it is unfortunately true. Their pride of race and their fear of criticism from compatriots inhibits them from bluntly admitting it. I am convinced, however, that in their hearts they would be willing to have our advisory control penetrate deep into administrative as well as military affairs. As to the masses they want peace and food and care little as to what agency provides these, but are prepared to welcome American assistance and, in so far as this proved successful, would be genuinely grateful. The same would ultimately be true of the politically conscious elements although we must expect a great deal of genuine misunderstanding and unrestrained vituperation at the outset. These intellectuals are already in a critically anti-American mood because of the extent to which we have at least seemed to them to be responsible for enabling their unpopular Government to continue an inconclusive civil war with all the economic and other hardships this is causing to their country and themselves. Any further military aid by us would seem to them to be merely perpetuating this state of things. Basically, however, they know that our intentions are good and many of them have benefited personally by American relationships. Apart from the more pressing economic distress, they fear that our aid would tend to maintain in power a feudalistic, incompetent and venal regime, leaving little to choose between its evils and those of the more intolerant but efficient Communist Party.

President Chiang would undoubtedly welcome such a decision by us and would approve of our active participation in internal administrative affairs, provided only that it did not seem to infringe on national sovereignty. He himself would remain a problem because of his loss of popular prestige and his inability to modernize his habits more rapidly. The responsible leaders of the Central Government and many of the provincial officials and field commanders could be counted on to share his views though they would be more cautious about saying so publicly.

President Chiang has been staying on in Peiping for some time and doubtless intends to continue the personal direction of military operations in the crucial Manchuria-Hopei border region. It can almost be claimed that the Government is holding on because of the determined will of one man. And this in turn is because he hopes that by doing so there will be increased American aid under the incoming administration. He is at least beginning to show signs of

the terrific strain upon him in increased irritability and more recently in somewhat more serious nervous symptoms. Yet he is in constant action. He has just flown to Ch'eng-te where he spent four hours riding around in a jeep with the local commander. He is fully conscious of what is at stake in the present decisive conflict and it would be futile to expect him to make any radical change in his Government's policy until the outcome of this battle will have become apparent. Nor can the other leaders do anything until then but wait and worry.

The latest indications are that the proposed Coalition will announce itself about New Year, and that before or after that date it will open a vigorous political offensive in the hope of detaching Kmt members from their present allegiance.

Respectfully yours,

J. LEIGHTON STUART

893.00/10-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, October 29, 1948.

[Received October 29—4:25 p. m.]

2037. Following monitored last night from Communist north Shensi broadcast: ¹⁵

"North Shensi October 28. Commenting on annihilation of 12 Kmt divisions west of Mukden this morning, military observer here points out that this is biggest of 3 victories scored by People's Liberation Army offensive in Manchuria during last fortnight. Other 2 recent victories were scored in strategic Chinchow and Changchun.

These 3 victories of People's Liberation Army have lopped off 26 divisions from Kmt Army. Including other Kmt special troops and miscellaneous troops wiped out in these actions, Kmt losses total some 300,000 men. Together with Kmt losses suffered south of Great Wall since People's Liberation Army launched its autumn offensive, Kmt losses to date total 450,000 or almost half million men.

Except for Kmt Forty-ninth Army, all 5 Kmt Armies under Kmt General Liao Yao-hsiang wiped out west of Mukden are 'famous' American-equipped troops especially New First Army and New Sixth Army. In destroyed Kmt New Third Army are 2 divisions transferred from Kmt so-called crack New First and New Sixth Armies.

There are now only 9 Kmt divisions in Manchuria, in Mukden and its vicinity and Yingkow area, apart from 11 Kmt divisions in Chihsi southwest of Chinchow."

Sent Department 2036 [2037]; repeated Shanghai 1011.

STUART

¹⁵ For further broadcasts on October 30 and 31, see *United States Relations With China*, pp. 882-885.

893.00/10-2948

The Ambassador in China (Stuart) to the Secretary of State

No. 450

NANKING, October 29, 1948.

[Received November 5.]

SIR: As indicating the befuddlement in high governmental ranks and particularly of Vice-President Li Tsung-jen, I have the honor to enclose a copy of a memorandum of conversation with him on October 28, 1948.¹⁶

My conversation with him indicates to me that the Vice-President is ingenuous, patriotic, strongly anti-Communist and anxious to do his bit according to the Constitution, but he is perplexed and is floundering for answers to his questions. He would prefer to be loyal to the Generalissimo, but is quite aware of the hindrance the President is to any other than a military solution, both because of his own unyielding determination and because of the swelling opposition to his leadership everywhere. If Li were thinking primarily of succeeding to this office there would have been some hint of it in self-conscious admissions, but he talked of this problem as simply as though he had no personal relationship to it. The interview also revealed a contrast in his lack of the strong qualities of initiative and leadership needed in such a crisis which the Generalissimo certainly possesses.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy

893.00/10-3048: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 30, 1948—3 p. m.

[Received October 30—1:43 p. m.]

450. Wei reported [to] have departed Mukden by air yesterday noon. CNAC and CAT suspended incoming flights today. Military using Luan-Ho airfield, normally used by civilian planes, to evacuate ranking military and their families. Government waging holding action 10 miles north Mukden permit continued use airport south city longest possible time.

No regular mail being accepted Chinese post. Only official telegrams.

Communist underground workers posted hand bills within city last two nights. General text of posters appeals populace remain calm, Communists will occupy city in near future, workers both Govern-

¹⁶ Not printed.

ment and private urged remain on job and population warned against looting, rioting and demolition. Population promised excellent treatment by Communists. Other posters allegedly state foreign persons and particularly Consular personnel should remain calm and not leave city. Communist promise foreigners protection of property and person. Same information said to have been broadcast past several evenings by Communist radio station Harbin.

Although populace tense, no rioting or disorder. No mass hysteria. Populace resigned to Communist occupation city and actually appear eager for such event. Very little fear of Communists being displayed by persons other than staunch Kuomintang members.

Sent Department 450; repeated Nanking 599.

WARD

893.00/10-3048: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 30, 1948—4 p. m.

[Received October 30—1:33 p. m.]

449. Communist cavalry units occupying Tungling, east Mukden. Power line Mukden-Fushun passes immediate Tungling area, and presumably Communists now able deprive city electricity if so desire. Situation north Mukden remains unchanged with Communist units some 10 miles north military airfield at Peiling. No determined Communist effort take Mukden to date. Only 3 Communist columns in area and those 3 considered as second rate troops.

No information available Communist movements west Mukden-Hsinmin area. Quite probable main Communist strength once more returned Chihhsi-Hulutao sector. Generally believed Commies will not occupy city for several days.

WARD

893.00/10-3048: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 30, 1948—6 p. m.

[Received October 31—12:17 a. m.]

452. Eyewitness reports complete disorder at military airfield during evacuation this afternoon highest Kmt officials, including Wei Li-huang, Mayor Tung,¹⁷ Governor Wang,¹⁸ Commissioner Kao,¹⁹ Pro-

¹⁷ Tung Wen-chi, Mayor of Mukden.

¹⁸ Wang Tieh-han, Governor of Liaoning.

¹⁹ Kao Hsi-ping, Vice Director of the Political Affairs Commission.

duction Chief Wang Chia-chen,²⁰ Foreign Affairs Commissioner Chiang²¹ and five provincial governors. Other officials grouped to await fictitious additional planes, discovered treachery and fighting broke out. Only with greatest difficulty, including gunfire, could plane depart. No further CAF evacuation flights contemplated. Minor Kmt officials report no fighting in city's outskirts, although Communists are stated to be very close to city.

Commercial field in south of city teeming with frustrated refugees. Department pass Nanking 603.

WARD

893.00/10-3148: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 31, 1948—9 a. m.

[Received October 30—11:41 p. m.]

456. Inasmuch no demolition has been effected on arsenal, railway stations and so forth, and all top flight military and civilians have abandoned or are struggling escape Mukden, and am unable ascertain any planned demolition to be executed by military units remaining in Mukden, it is to be assumed no demolition of installations in city will be made prior to fall of Mukden. In recent past instances when Government troops have surrendered Manchurian cities it has been customary for Chinese Air Force to return after surrender and bomb surrendered city at random, causing great loss civilian life and property and rarely damaging any military objective because inaccuracy of bombing. To obviate any such futile destruction Mukden, I suggest Department may see fit have Embassy and Army Advisory Group approach appropriate Nanking authorities at once in effort dissuade Chinese Air Force from any such vengeance bombing of Mukden.

Pass Nanking as my 606.

WARD

893.00/10-3148: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, October 31, 1948—11 a. m.

[Received October 31—12:56 a. m.]

457. Ranking Kuomintang official remaining Mukden states Provisional Committee Northeasterners led by General Su Ping-wen, re-

²⁰ Chief of the Northeast Production Administration.

²¹ Chang Chien-fei, Special Commissioner for the Northeast, Chinese Foreign Office.

tired Field Commander under Young Marshal,²² negotiating surrender terms for Mukden. Other factors tend lend credence reported surrender negotiations. Communists now in control Fushun-Mukden power lines but city continues receive electricity. Government troops being withdrawn forward areas for concentration Mukden which would probably be one [of] Communist surrender terms. Only sporadic fighting east and north of city which would indicate Government offering only token resistance for face purposes. When Government troops were hard pressed at Tungling, east of Mukden, they ceased fighting immediately.

Impossible know with reasonable accuracy amount military equipment Communists have captured northeast past 2 weeks but conservative estimate is sufficient quantity completely equip minimum 8 additional Communist columns. Equipment includes some 30 pieces heavy American artillery, all in excellent condition, 300 operable American trucks, 200,000 complete winter uniforms, including shoes, and vast quantities foodstuffs. Recurrent reports received here emanating military headquarters Government and Communists presently engaged peace negotiations entire China.

Department pass Nanking 607.

WARD

893.00/11-148 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 1, 1948.

[Received November 1—3 : 23 a. m.]

474. 1510 hours Communist troops now in effective occupation of Mukden. Small arms fire which has been going on within city since daylight has ceased.

Sent Nanking 619; repeated Department 474, Peiping 245, Tientsin 161, Tsingtao 123.

WARD

893.00/11-148 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 1, 1948—5 p. m.

[Received November 1—7 : 35 a. m.]

2281. According press 30th, Shanghai being placed on wartime basis. Ministry National Defense has ordered total warfare status

²² Chang Hsueh-liang, leader of the Sian coup, December 1936.

for Shanghai and has instructed Woosung-Shanghai garrison to expand activities to cover political and economic matters. Garrison Commander Hsuan²³ raised to Commander in Chief, in which capacity he outranks Mayor. Local observers feel move will not immediately affect city administration, and that with Chiang Ching-kuo's²⁴ hold on political and economic life Shanghai broken through discontinuance price controls, Mayor Wu after 70-day eclipse will regain No. 1 position.

Sent Department 2281; repeated Nanking 1728.

CABOT

893.00/11-248: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 2, 1948.

[Received November 2—2:10 a. m.]

480. Lin Piao, commanding northeast area of Chinese People's Liberation Army, last evening issued proclamation stating during recent weeks more than 300,000 Government armed forces lost in northeast and calling on all remaining Government troops cease fire and surrender. Pardon promised all Government military personnel irrespective of rank. All persons instructed keep ammunition, goods, warehouses, archives, libraries, factories, schools, and bridges in good condition.

Sent Nanking 626, repeated Department 480, Peiping 247, Tientsin 163.

WARD

893.00/11-248: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 2, 1948—noon.

[Received November 3—3:16 a. m.]

419. With rout Government forces Manchuria, Nationalist position North China of course immediately imperilled. It has been practically impossible to date obtain reliable information re significance visit Generalissimo for North China politics but outward evidence indicates 1) Generalissimo was forced by events concede indispensability Fu Tso-yi but 2) at same time maintains attitude suspicion with respect North China generals including Fu. Re 1), note lip

²³ Gen. Hsuan Tieh-wu.

²⁴ Deputy Economic Control Supervisor for Shanghai and elder son of President Chiang Kai-shek.

service rendered Fu (Contel 407, October 29²⁵) and displacement Peiping garrison Chen Chi-cheng,²⁶ who had been uncooperative with Fu, by Li Wen who if not of Fu's group will nevertheless follow orders. Re 2), however, note Suiyuan elders recently petitioned Generalissimo stipulating particularly need for supply of munitions. Arrival North China of Thirty-first Army is more than balanced by rolling of fighting south right down to Great Wall. Rumored dispatch some time New First Army commander Sun Li-jen to North China with additional troops still unrealized, salvation of major part Nationalist forces remaining Chinhsi and Hulutao improbable. Nationalist thrust toward Shihchiachuang can hardly relieve Taiyuan. Fu can hardly at this late hour weld heterogeneous forces North China into unified command nor is there any sign that past neglect in terms war material is cause of even belated repentance which would bring needed supplies to war lords who are now only Nationalists who will fight (as one Kmt official expressed it). If sum [*one?*] even granted (as may be gratuitous), inactivity Communist forces [under] Chen-yi and Nieh Jung-chen in Shantung and Suiyuan, respectively, Fu is not in position to stem tide of Communist advance when Shanhaikuan might be breached or Taiyuan fall and Communist forces Hsu Hsiang-chien thus released for attack on Fu's soft belly via Tatung and Tsining.

Considerable Nationalist military movement is currently in process north Hopeh. Deployment is in several directions and pattern still unclear. Decisive development will naturally in circumstance where Communists hold overall initiative be determined by Communist moves and possibly political events (see following telegram), however, rather than by these deployments which may reflect political and military decisions reached during presence Generalissimo [in] Peiping. Granted continued existence thinking in some quarters to effect that Communists will let Peiping-Tientsin area go until spring, matter of elimination this enclave now seems too simple for them to neglect. It must be concluded probable that 1) Fu's plans do not contemplate defense Peiping-Tientsin, 2) Communists will move this direction near future, and 3) Nationalist control will thus then be eliminated North China even as in Manchuria.

Sent Department 419; repeated Nanking 662, and Tientsin.

CLUBB

²⁵ Not printed.

²⁶ Commander in Chief of Peiping Garrison Headquarters, and Deputy Commander in Chief of North China Bandit Suppression Headquarters.

893.00/11-248 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, November 2, 1948—noon.

[Received November 3—6:34 p. m.]

315. KMA at Chinwangtao report large numbers disbanded troops and civilians from Manchuria crowding Chinwangtao; some trying to get away by ship, others continuing west by road.

With Communist capture Chinchow and collapse Government troops from Mukden, there is little in path Communist march to Tientsin if they so desire. Government troops Hulutao and Chihhsi should prove no great obstacle and, even if they fight, would occupy only part Communist forces. Government troops now Chinwangtao very defeatist and openly say they do [not?] intend to fight.

In Tangshan-Luanhsien area, there are untried Taiwan trained troops, plus several regiments Youth Corps and communication police doubtful value. In Tientsin area, one division south of city and part another division west; also several thousand garrison troops and 3,000 police with rifles.

Seems significant that although Fu Tso-yi technically in command up to Chinwangtao none of his armies stationed east of Peiping; other troops under his command cannot be relied on at this juncture with deteriorating morale and growing defeatism. Many Chinese here believe Fu plans move own troops west to former base, feeling that with loss Tsinan, Government debacle Manchuria and shortage military supplies (due Generalissimo's long refusal to aid) he cannot hope to hold Chinwangtao, Tientsin, Peiping area. Fu on horns dilemma. His own troops, on whom alone he can rely, not sufficient hold Tientsin, which has no natural defenses, and Tangshan mines which must be held keep Tientsin utilities operating. Unable hold only seaport through which military aid could arrive, he has choice retiring west to former base where supply would be increasingly difficult and Communist[s] would eventually overcome him, or making a deal with Communists.

Prior Government collapse Manchuria, many Chinese here hoped American military aid, if received in time, would enable Fu equip additional troops and hold out against Communists. Since Manchurian debacle and fall Tsinan, however, many Chinese feel it too late and American military aid now would merely hopelessly prolong war North China and suffering of people. They believe arrival here of American military supplies in any quantity would promptly become known to Communists who would quickly drive to Tientsin to stop it.

Police chief Li Han-yuan, most respected official in Tientsin, resigned 3 days ago in disgust over situation. Mayor Tu Chieh-shih,

another able official, expressed opinion to me yesterday that only arrival American troops Tangku or Tientsin could save situation; otherwise he felt situation hopeless.

Number wealthier Chinese officials and families trying leave for south. Interesting fact is that technical personnel (utilities, industries) seem to be making no effort to go; they feel Communists will soon have Shanghai and Nanking and Government will collapse, so they might as well stay here and get used to working under Communists; if they remain, Communist technical problems would be greatly eased.

Universal desire Chinese here is for peace. Bitter over National Government's military incompetence, corruption, inefficiency, failure provide food and disastrous bungling Government economic policies, they are prepared accept, if not welcome as a measure relief, Communist regime. Immediate consideration that Communist arrival would lift blockade from food producing areas has far greater weight with hungry people than abstract ideological factors.

Sent Nanking 560; repeated Department 315, Shanghai 526 and Peiping.

SMYTH

893.00/11-248 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 2, 1948—3 p. m.

[Received November 4—12:46 a. m.]

420. ReContel 419, November 2. On October 28 prominent old-time leader, Shansi general, and one person unidentified (believe he used alias) but apparently of some importance in Manchuria group in confidential discussion described continuance fighting against Communists under present Nationalist leadership as hopeless and proposed that it was only by third party leadership that struggle could be carried on. Position of group as developed in discussion (unidentified person doing most of the talking) was substantially as follows:

(1) Negotiations with Communists have [so] far been fruitless because Communists were demanding too much (Vice President Li Tsung-jen informed me Nanking October 9 that talks last summer between Hong Kong group and Communists broke down for same reason);

(2) Nationalist Government had lost popular support of nation and Generalissimo particularly would have to go;

(3) Only by restoration of authority to local leaders and development of people's strength in place of present policies whereby local leaders are mistrusted and local authority given ruling groups southern henchman could situation be rectified;

(4) Use of local leaders who would administer in main autonomously military, political and economic affairs in respective areas [and] be associated for general purposes would regain popular confidence and support and win back into anti-Communist fold various groups (particularly in Manchuria now alienated from Communists).

It was apparent that interested groups comprised not political third party but military grouping. Quoted Shansi general several days before had obliquely identified following leaders as possible: Li Chi-shen, Li Tsung-jen, Pai Chung-hsi,²⁷ Fu Tso-yi, Ma Hung-kuei, Yen Hsi-shan. Unidentified person in first meeting 2 days previously had stated that little time remained for US come to aid of those still able and willing fight Communists for situation was such that latter could hardly wait any longer.

Debate Manchuria was unknown at time conversation. Terrific cost to Nationalist military establishment of maintaining Manchuria air lift for months followed by tremendous loss troops, material with commitment last reserves to North China accompanied by financial and economic crisis has developed national crisis of such formidable proportions that even bravest group would be reluctant come forward on basis proposition they continue fight. More successful Communists, [the] farther they will advance politically from bargaining position adopted 1946. It is to be expected that at given point some Chinese group will call for cessation hostilities as has old Ma Chan-shan subordinate²⁸ (Mukden's 614, November 1²⁹) and endeavor negotiate peace with Communists. There are now current Peiping rumors of "declaration of independence" by Fu and of his undertaking separate peace negotiations with Communists. These are hardly to be credited but that some group will come forward at latest when North China is lost and call for peace with voice too loud to be disregarded by Generalissimo seems certain even by indications seen thus far. That Communists occupy superior bargaining position in peace negotiations cannot be gainsaid, their power cannot be denied but [if?] US exercises political flexibility [it is] still in position influence future developments. It would now seem conclusively established that Generalissimo who as sole dictator has primary responsibility for military, political and economic bankruptcy his Government can neither be rehabilitated by political aid nor kept in power with any amount of munitions: there no longer exists in China any major force willing to fight on part of troops under Nanking direct control.

I do not believe Nationalist group possesses still enough military and economic force to enable splinter third party to confront Com-

²⁷ Commander in Chief of Central China Bandit Suppression Headquarters.

²⁸ Gen. Su Ping-wen.

²⁹ Repeated to the Department as telegram No. 468, not printed.

munists on equal basis at this state. President Franklin Ho of Nanking University in conversation October 31 analyzing political situation pointed out neither military nor liberal academic group was now in position take up power and opined (see Contel 376, October 21) Generalissimo in his stubbornness would not voluntarily relinquish that power. (That Generalissimo is encouraged by his belief greater aid will flow to him as American election result is hardly to be doubted.) Unifications and strengthening of remaining anti-Communist elements in Nationalist camp for final political phase of battle against Communists can hardly be expected to be strengthened by any prescient action from side Generalissimo.

Dominance Communists in any bargaining must be accepted as inescapable. Nevertheless, Communists are confronted now as never before with problems:

- (1) Political administration;
- (2) Economic rehabilitation and
- (3) Party policies. In that milieu US by exerting its influence adroitly in favor present anti-Chiang, anti-Communist middle-of-roaders can save something from wreckage. That influence would have to be exercised now along non-military lines. Main military phase is practically over. But US by adjusting its policies to rise of Communist power by working through contacts with sympathetic support of those Chinese who are themselves striving to save something from wreck can still play dominant role in China. Consequence of aloofness and political boycott, I submit, would probably be fostering of Soviet advance under conditions of political vacuum and social bitterness thus created.

Sent Department 420, repeated Nanking 623 and Tientsin.

CLUBB

893.00/11-348 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 3, 1948—8 a. m.

[Received 9:29 a. m.]

491. Only aerial bombing past 24 hours between 13 and 15 o'clock yesterday. Almost all bombs fell in west section city. Dueling between mopping up units and die-hards very brisk yesterday throughout city during daylight but night was quite calm. Very little gunfire this morning. Some large conflagrations. Staff movements reduced to absolute essentials during dueling, but will probably be able move about safely if present lull continues. City still without electricity or water and civilian telephone service suspended since 2300 hours November 1. Have thus far been unable establish contact with any military or civil official willing or empowered accept letter or visit announcing

our presence and whereabouts. Communist troops have behaved excellently, greatly impressing populace accustomed high-handedness Govt troops past several years and their scandalous behavior during last days Govt tenure. One detail soldiers entered office compound yesterday afternoon with intention commandeering jeep standing in driveway, but was most apologetic and withdrew quickly when I informed them premises and vehicles US Government property.

All Americans well.

Sent Dept as 491. Dept please pass Nanking as 635.

WARD

711.93/11-348: Telegram

*The Consul General at Mukden (Ward) to the Secretary of State*³⁰

MUKDEN, November 3, 1948—11 a. m.

[Received November 3—2:36 a. m.]

494. Not unlikely I shall be taken to task by local authorities over Government bombing Mukden in as much bombers and presumably bombs were obtained by Government from United States, and shall, therefore, appreciate being informed soonest if we made appeal to Government cease bombing. Such information, if in my possession could perhaps stand U. S. in good stead in getting established here. No aerial bombing Mukden during past 20 hours causes me believe such appeal may have been made and heeded. Soonest reply requested if affirmative.

WARD

893.00/11-348: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 3, 1948—3 p. m.

[Received November 4—5:11 a. m.]

426. ReContel 421, November 2.³¹ In conversation yesterday Vice Minister of Information Tao Hsi-sheng indicated it was necessary for maintenance political entity Central Government [to] defend four strategic areas North China northwest and west (from Hsiangyang, north Hupeh, west) and region between Huai and Yangtze (that is from Hsueh south). He said Gimo had shown increased support Fu Tso-yi by making him primarily responsible for North China and changing Peiping garrison to Chen Chi-cheng. Fu would be now chief authority this area, Ningsia chairman, Ma Hung-kuei, would be given authority in northwest (with his authority still apparently lim-

³⁰ Repeated to the Ambassador in China as telegram No. 1537.

³¹ Not printed.

ited to Ningsia), Pai Chung-hsi responsibility for west China, while Huai River sector would be under direct control Nanking. Tao expressed confidence ability Fu maintain stability North China, indicated Fu would be supplied with munitions (but was unspecific this regard) but said matter of arming militia, although frequently discussed National Defense Ministry this year, was still undecided (note Suiyuan representatives in previous petition to Gimo reputedly requested arms for 100,000 additional Suiyuan troops and three cavalry regiments). Tao admitted, however, that fall Taiyuan would seriously endanger position Fu inasmuch as invasion northern plain in history frequently occurred after loss Shansi massif. Tao, surprisingly enough, indicated belief that weakest of four areas in question was west China: He said loss Nanyang (south Honan) had historically, generally, proven important for defense Hsiangyang and that when Hsuangyang fell Suchang, gateway to downriver area including Nanking, would be endangered. Tao showed full appreciation of present deteriorated state military morale and suggested that if offensive could be mounted within 2 months from west China and Huai River sector success would stimulate political morale of Nationalists located at strategic points, whereas, if contrariwise, Nationalists remained inactive, morale can be expected to decline further still. Tao, who is economist, likewise showed full appreciation significance economic factors for overall political and military situation. He seemed especially interested in American reaction to Gimo's reply to *Tribune* correspondent Steele³² which ended expression hope American people and their statesmen would assume to themselves responsibility for salvation of Asia, of which crux of problem was China. Understand Tao was in large part responsible for drafting Gimo's reply.

Sent Department 426, repeated Nanking 627, and Tientsin.

CLUBB

811.20200(D)/10-2748: Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 4, 1948—4 p. m.

1545. Carefully considering urtel 2015 Oct. 27. Attempting increase immediately present output materials needed expose threat international communism to China. Pending full reply following soon, continue regular program.

LOVETT

³² *United States Relations With China*, p. 891.

CHAPTER VIII: NOVEMBER 5-25, 1948

Continued deterioration of Chinese Government position; unsuccessful attempts to change Chinese Executive Yuan; appeals by Chinese Government officials for United States statement of support

893.00/11-548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 5, 1948—10 a. m.

[Received November 5—5:13 a. m.]

2097. We have had several discussions over the past 2 days with Chen Li-fu, Vice President of Executive [*Legislative*] Yuan, in connection with crisis in which Government finds itself as result of crumbling military and economic situation, as well as Cabinet's efforts to resign. After reviewing past mistakes in military strategy and economic policy Dr. Chen said he was proposing to Generalissimo that (1) he issue a statement clarifying the character of the existing struggle in China, stressing that this is not a civil war but a war against Soviet Communism in the hope of inspiring the Chinese people to further resistance, (2) able generals be sent to the Hsuehchow area to strengthen resistance of Government troops against possible Communist attack, (3) an effort be made to persuade US, UK, France and Netherlands to issue joint statement declaring they would not tolerate Communist domination in China, and (4) make frank approach to Americans, laying all cards on table, and ask for help.

In Chen's view China has reached a crisis in development comparable to that experienced by young US Republic when Washington spent desperate winter at Valley Forge. Had it not been for the help of France young Republic might not have survived. If China cannot, at this stage, find its Lafayette in the US democratic government, China may not survive and he hopes we can find some way to help. Regarding Chinese policy toward US, Chen expressed view that his country was making mistake in trying to remain neutral between US and USSR; that China should devote her efforts toward close cooperation with US and cease trying to pacify Soviets and should recognize that all Communists are so directed and act accordingly. Should USSR maintain control of all China with its stupendous manpower through Communist government it would be terrific blow not only to China but to Asia and world at large.

On the economic side Chen emphasized the importance of developing South China. Hope for the future, he feels, lies in the holding of the military line in the north and west China. He concluded that the present situation of his country was desperate and that unless something was done promptly it might become irremediable.

STUART

893.002/11-548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 5, 1948—4 p. m.

[Received November 5—8:36 a. m.]

2106. Foreign Minister Wang Shih-chieh informs us Cabinet, under urgent plea from Generalissimo,³³ has agreed remain in power few more days. There are afoot in high Government circles plans for “radical” measures in desperate effort improve situation. Cabinet is remaining in power pending final decision this problem.

STUART

893.01/11-548 : Telegram

The Consul General at Canton (Ludden) to the Secretary of State

CANTON, November 5, 1948—5 p. m.

[Received November 6—1:54 a. m.]

231. I have been informed by American source close to T. V. Soong³⁴ that on November 4 Governor refused accept position as Premier unless “more realistic” attitude could be adopted toward current military and economic problems. My informant inferred that Soong’s refusal yesterday was culmination of recent strong pressure on him from Generalissimo to accept post.

Sent Nanking 253; repeated Department 231.

LUDDEN

893.00/11-548

The Ambassador in China (Stuart) to the Secretary of State

No. 459

NANKING, November 5, 1948.

[Received November 23.]

SIR: I have the honor to enclose for the information of the Department the translated text of an extraordinary editorial which appeared in the November 4, 1948 issue of the *Chung Yang Jih Pao*.³⁵ It would be an interesting and important editorial no matter where it appeared, but coming from the sacred holy of holies of the Party³⁶ it is little less than amazing.

The argument, in brief, is that the nation and the Kuomintang revolution have been betrayed and plundered by a small group and that

³³ Chiang Kai-shek, President of the Republic of China.

³⁴ Governor of Kwangtung.

³⁵ Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 880.

³⁶ The Kuomintang, or Nationalist Party.

the Government does nothing to curb their greed in the interest of the people. It admits the disastrous military situation and says that the masses of the people live in fear and misery. Most interesting is the comment that even though Communist rebellion receives international stimulus, the Communists receive their principal power and stimulus by exploiting the defects which exist today in the Chinese social system. The paper concludes that the only solution to the Communist menace is to adopt those parts of the Communist program which contribute to social welfare. This must be accomplished even if it means destroying the minority which profits from the present situation. Only thus can the Government regain that confidence of the people which it has now lost.

Even though it does not refer to the Generalissimo by name, this strong statement can only be considered as an attack on him and his leadership. It is also a call to social revolution. It will be interesting to see whether there are repercussions from this editorial and whether it presages active political developments within the Party.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor

893.01/11-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 6, 1948—10 a. m.

[Received November 6—3:30 a. m.]

2110. Legislative Yuan Foreign Affairs Committee at meeting November 3 discussed Sino-American relations. From conflicting mass of statements made by committee members, following seem to emerge as general points of agreement:

1. Because of Yalta agreement,³⁷ mediation efforts, and insufficient aid, US largely to blame for current Chinese mess.
2. US should end fence straddling policy toward China.
3. US military aid to Nationalists is an obligation.
4. US has in last few years finally joined China's 21-year-old anti-Communist campaign.
5. CCP³⁸ propaganda has led US to believe National Government corrupt and American aid ineffective.
6. China, while leaning heavily on US, must maintain independent foreign policy.

³⁷ Signed February 11, 1945, Department of State Executive Agreement Series No. 498, or 59 Stat. (pt. 2) 1823; also printed in *Foreign Relations, The Conferences at Malta and Yalta, 1945*, p. 984.

³⁸ Chinese Communist Party.

We believe this muddled thinking in large part is an indication of the desperation and panic which rule Government today, its frantic search for an answer, and its recognition of present hopeless situation.

STUART

893.00/11-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State ³⁹

NANKING, November 6, 1948—1 p. m.

[Received November 6—7:43 a. m.]

2117. We gathered together senior military personnel JUSMAG ⁴⁰ and Service Attachés, who, after discussing military situation, were unanimous that short of actual employment of US troops no amount of military assistance could save present situation in view of its advanced stage of deterioration. Agreeing that employment US troops impossible, it was conclusion of group that there was no military step China or US could take in sufficient time to retrieve the military situation. It was agreed that Fu Tso-yi ⁴¹ could not resist attack by forces which Communists can mass against him in North China, and that against Nationalist forces known to be of inferior caliber in Hsueh area, Chen Yi ⁴² could reach Yangtze River in vicinity Nanking in 2 weeks.

We reluctantly reach conclusion, therefore, that early fall present Nationalist Government is inevitable. It is too early to say with certainty whether that Government will be replaced by a Communist government or by a Communist-dominated coalition. In either event, we shall have to make the best of a bad situation and save what we can from the wreckage.

Embassy will remain Nanking unless developments indicate contrary course desirable, in which case Department's instructions will be requested. Please pass to Hoffman, ECA. ⁴³

STUART

³⁹ Repeated as No. TELMAR 136 to the Ambassador in France; copy transmitted to the White House on November 7 for President Truman.

⁴⁰ Joint U. S. Military Advisory Group.

⁴¹ Commander in Chief of the North China Bandit Suppression Forces.

⁴² Commander of the Chinese Communist armies in Central China.

⁴³ Paul G. Hoffman, Administrator of the Economic Cooperation Administration.

893.00/11-648 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*⁴⁴

NANKING, November 6, 1948—2 p. m.

[Received November 6—9:15 a. m.]

2118. During conversation mentioned Embtel 2093, November 4, repeated Shanghai 1037,⁴⁵ Premier⁴⁶ referred to his talks with Gimo at Peiping latter part October. Premier said primary purpose seeing Gimo was to ask him what China's fundamental world policy would be, with special reference to US. Premier referred to Paris talks between Foreign Minister Wang Shih-chieh and Secretary State⁴⁷ and said he urged Gimo make "absolutely clear" to US Government that, in event war between US and USSR, China would fight on side US. "Otherwise," Premier assertedly pointed out to Gimo, "our position will be doomed to complete failure."

According Premier, Gimo accepted his recommendations and authorized him to telegraph instructions to Foreign Minister to continue talks with Secretary State, and possibly also with Dulles⁴⁸ should that seem desirable.

When asked what US Government could do at this juncture in China, Premier expressed hope we could send "military assistance in very substantial way". He expressed fervent hope US Government keep fleet at Tsingtao, saying that Communists would not attack Tsingtao and that USSR was "not ready to open fire on US forces now." Premier said that announcement US intention to withdraw fleet from Tsingtao would inevitably be accepted as invitation to Communists to attack that port.⁴⁹

STUART

893.01/11-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 6, 1948—2 p. m.

[Received November 6—9:16 a. m.]

2119. In our recent conversation with Chen Li-fu, who has been playing active role in present governmental crisis, he has emphasized disadvantageous position in which Generalissimo and people like

⁴⁴ Repeated to the Ambassador in France on November 7 as telegram No. TELMAR 138.

⁴⁵ Not printed.

⁴⁶ Wong Wen-hao, President of the Chinese Executive Yuan.

⁴⁷ The Secretary of State was in Paris on official mission.

⁴⁸ John Foster Dulles, U. S. delegate to the United Nations General Assembly.

⁴⁹ For correspondence, see vol. VIII, "Status of U.S. Naval Forces at Tsingtao".

himself, who are arguing strenuously against all possibility of coalition government with the Communists, find themselves because of advocacy of such coalition 2 years ago by US President and Secretary of State. He pointed out that no public statement of change in our attitude toward coalition government with Communists has ever been made. Chen inquired if it would be possible at this stage for the President—fresh from his victory at the polls—to issue new statement of US policy toward China, making it clear that US does not favor coalition government with Communist participation and stating our reasons including indication of Soviet direction in Chinese Communist action. Such statement, Chen continued, would greatly strengthen Generalissimo's hand as well as those supporters of Generalissimo who are strenuously resisting any trend toward coalition with Communists.

We replied in the sense of Deptel 1164, August 12 but we are inclined to agree with Chen Li-fu (who in presenting this suggestion was speaking for the Generalissimo) that statement of our attitude toward coalition government with Communists in China might be helpful at this time.

Department pass to Paris as No. 8 for the Secretary.

STUART

S93.00/11-748: Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 7, 1948—2 p. m.

1561. Following info re Mukden received controlled American source. Concurrence ConGen Mukden indicated.

Populace Mukden disgusted with cowardice, looting, brutality and helplessness Kmt politicians and Mil leaders. No efforts made destroy Mil supplies before withdrawal. Hatred seen on faces people as result Nat bombings. Comm troops which entered Mukden, considered second-rate by Nats, superior to best Nat troops including New 1st and New 6th Armies. If other troops as good nothing Nats can do will stop Comms.

Comparison occupying Comm troops with Nats recently withdrawn makes apparent hopelessness American aid. We cannot give will to fight and desire become good soldiers. Unless Nat Commanders immediately find secret Comm commanders seem to have found, all China will be Comm dominated soon.

Soviet as well as US residences subjected searches. Soviet businessmen with slightest American connections looking for US ConGen recognition. As of Nov 4 US personnel apparently faring better than Soviet.

Aside from danger bombing no reason for white women to fear remaining in area. More danger experienced from withdrawing Nats than from Comms.

Nanking rpt to Shanghai, Tsingtao, Tientsin, Peiping for confidential info principal officer.

LOVETT

893.00/11-748 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 7, 1948.

[Received November 3 [7?]—1:57 a. m.]

521. In article commemorating 31st anniversary October revolution, Mao Tse-tung⁵⁰ reiterates Stalin's⁵¹ words that revolution opened way for liberation oppressed racial groups and has built bridge between Socialist Occident and enslaved Orient. He states history past 31 years exposes hypocrisy and bankruptcy imperialistic and non-Soviet middle-of-way and third road policies.

Mad preparations for another war by American imperialists and their followers since World War II reveals extreme corruption of capitalist world and its fear of ruin, but this enemy, nevertheless, still powerful. Only strong anti-imperialist united front formed by revolutionary forces all countries under Soviet leadership can defeat imperialism. Power of enemy should not be overestimated, imperialism has weak foundation, internal defection and inevitable economic crisis.

Chinese Communist Party has own great victory over Kmt Government and American imperialistic aggression. During 2 years July 1946 through June 1948 it routed 4.3 million Kmt troops and wrested offensive from enemy. Liberation Army has captured or annihilated 2.64 million Kmt troops during past 2 years. It has liberated 2.35 million square kilometers constituting 24.5% area China, and 160 million persons constituting 35.3% population of country and has occupied 586 or 29% China cities. Chinese Communist Party membership has increased from 1.21 million in 1945 to 3 million at present.

Mission Chinese Communists is wipe out American imperialistic aggression, overthrow Kmt reactionary regime, and construct democratic people's republic. Chinese people and Communists are brave and are certain liberate their country.

Sent Nanking 656; repeated Department 521, Tientsin 175, Peiping 261.

WARD

⁵⁰ Chairman of the Central Committee of the Chinese Communist Party.

⁵¹ Iosif Vissarionovich Stalin, Soviet Prime Minister and Chairman of the Council of Ministers of the Soviet Union.

893.00/11-848 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 8, 1948—9 a. m.
[Received November 8—4:41 a. m.]

438. Generally well-informed source states original plan at time Generalissimo was present Peiping was for evacuation Manchurian forces to North China with those forces (commanded primarily by Whampoa officers) to be charged with defence north Hopeh area enabling Fu (who would have remained nominally in command) stabilize position to west Suiyuan and North Shansi with own troops. That strategic concept thus envisaged overall strengthening and stabilization North China. It collapsed when it proved impossible effect withdrawal of Manchurian forces. Fu, where previously confident of ability Republic strengthen position, is untenable [*sic*]. Note he lacks artillery adequate meet Communists who now possess important amounts American equipment.

Same source reports military personages, recently arriving from Manchuria, in meeting Peiping November 3 advised Fu withdraw and maintain his military strength intact. Now confirmed by press Fu proceeded Nanking as reported (Contel 432, November 5⁵²). Nanking military conference undoubtedly has referred at least in part to urgent situation North China.

Source indicates position Taiyuan was, of course, hopeless view inaccessibility major supply lines. American newsmen who interviewed Shansi chairman Yen Hsi-shan yesterday reported Yen very bitter against CAF⁵³ for lack cooperation, also against Generalissimo's failure give promised support.

Source pointed out pronounced shift in balance political power which has now occurred in China with elimination from scene of many Whampoa supporters of Generalissimo due to Manchurian collapse. Noting that Hsueh front is now threatened, he pointed out destruction those national forces would mean eliminate last front Whampoa military support for Generalissimo's regime and that, assuming Fu Tso-yi would be able to withdraw, western power would then remain non-Whampoa hands, that is in hands Fu, Pai Chung-hsi^{53a} and Ma generals of northwest.⁵⁴ Nanking regime thought would be unable survive such blow whereupon non-Whampoa generals

⁵² Not printed.

⁵³ Chinese Air Force.

^{53a} Commander in chief of Central China Bandit Suppression Forces.

⁵⁴ Ma Pu-fang, Governor of Tsinghai; Ma Hung-kuei, Governor of Ningsia; Ma Pu-ching, Deputy Commander of Fortieth Group Army; Ma Chang-hsiang, Commander of Fifth Cavalry Army; and Ma Hung-pin, Military Commander in Tsinghai.

would be left dominant in non-Communist China. Those however would probably be caused in first instance sue for peace with Communists.

CLUBB

893.00/11-848 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 8, 1948—1 p. m.
[Received November 8—7:53 a. m.]

531. Summary events immediately prior to and during early days Communist occupation Mukden. Last 2 weeks October witnessed disintegration Government morale and military strength northeast in all areas except Chinghsi-Hulutao. Unexpected fall Chinchow found Government forces unprepared and so deployed that their fighting strength dissipated in unimportant areas. Following fall Chinchow and collapse Changchun defenses, Government formulated belated plans evacuate northeast. Evacuating troops surrounded by Communists and debacle entailed. Rapidity events, bewilderment [of] leaders, friction and lack coordination high command, and inept leadership completed demoralization remaining Government troops Mukden area and when numerically inferior Communist troops suddenly appeared on outskirts Mukden it became apparent Mukden would not be defended. Disgruntled northeastern leaders left behind by their Kuomintang compatriots seized nominal control city and entered into surrender negotiations with Communists. Agreement reached and Communist troops occupied city early afternoon November 1. Communist entry orderly and systematic. First task consisted occupying strategic points, buildings and factories; second, reducing isolated Government resistance groups and disarming Government soldiers; and third, stop looting led by defeated Government troops. Communist task taking over city made difficult by vengeance bombing Government planes late afternoon and night November 1. Bombing done at high altitudes and majority accomplished at night. Reports indicate military value bombing practically nil. Bombing resulted in wanton destruction property rather than rendering useless important military establishments, which latter should have been effectively destroyed by ground demolition prior evacuation ranking Government officials, and aroused ire even pro-Government elements with its lack of planning, wastage of ammunition and aircraft gasoline and stupidity execution. This feeling resentment present pro-Government group grossly overshadowed by that local populace whose homes, property and lives destroyed. Any benefits Government derived from bombing more than overcome by sudden crystallization

hatred of Government symbolized in planes overhead and switching all loyalty to Communists who suddenly appeared as champions masses. Any hatred Communist or lingering loyalty Government seemingly wiped out matter minutes during bombing attacks.

Incoming Communist showed effects careful and comprehensive briefing as to proper conduct towards local populace. Troop discipline resembled decorum small child thoroughly schooled by mother in preparation visit rich uncle. Troops stern but kindly in dealing with populace. Rampant looting stopped within few hours.

Effectiveness Communist underground soon apparent. Location all Kuomintang property known and Communist collection teams led to spot of concealment without delay. Collection all Government owned property systematic and thorough. *Pao* (units resembling our precinct) chiefs appointed without delay and made responsible discipline and collection property their area control.

Communist troops and later arriving political workers also showed sign scare [*sic*] but briefing correct attitude toward foreigners. Too early state whether simply for display purposes impress foreigners with effectiveness Communists in contrast with disorganization Government or whether it is forerunner definite Communist attempt woo Western Powers' sympathy for use by Communists as counter-balance growing Russian influence their policy and control.

Speed displayed in restoration orderliness, organization city, water, mail and telegraphic service to other points in Communist-held territory, very impressive.

Failure Communist political workers immediately follow troops into city en masse as is usually done, fact that no Communist money available local population or even to foreign establishment until one week after occupation, continued closure shops, no central distribution point food starving sections people which is normally one Communists' first acts, troops occupying city mainly Korean rather than Chinese, indicate Communists did not expect rapidity with which Mukden collapsed.

To date have seen only best of Communists as Communist military alleged more rational than political workers. Also too early assess weight carried with Communists by Russians. Communist pro-Russian and anti-American propaganda in local press has stemmed from high level Communist sources. Small amenities already accorded local Soviet trade representative. On other hand, eagerness with which local trade representative remained in mayor's office on November 5 after departure foreign consuls might indicate mayor's ear not so readily available to trade representative as latter may desire and he therefore exploited opportunity at hand.

Department pass Nanking 667.

893.00/11-848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 8, 1948—3 p. m.
[Received November 8—10:26 a. m.]

2131. In a conversation with Embassy officer, Generalissimo's secretary last night confirmed that all Communist armies in Hsuehchow area are moving on Nanking and that Hsuehchow is being by-passed. He said Pai Chung-hsi is still refusing to accept Hsuehchow command on grounds that when he wanted it, it was refused him and that now when the situation is hopeless the Generalissimo is attempting to make him the goat.

He then went on to say Manchuria had been a "shameless debacle"; that only one division was saved at Hsuehchow [*Yingkow?*] and that only four or five were evacuated from Hulutao. The evacuation of Hulutao is now probably completed. He did not know where Hulutao divisions were being transferred, though he understood Fu Tso-yi was trying to get them.

He said Generalissimo much disturbed now because there seems to be a widening gap between China and U. S. The U. S. wants certain performance from China before extending additional aid and China wants aid before giving any commitments on performance. He said Generalissimo does not know how to resolve this difference. The secretary was himself noncommittal as to what should be done but did say the Generalissimo still refuses to admit situation is hopeless.

STUART

893.00/11-848 : Telegram

The Consul General at Canton (Ludden) to the Secretary of State

CANTON, November 8, 1948—3 p. m.
[Received November 9—12:59 a. m.]

234. T. V. Soong called me to his headquarters this morning to say that he will leave for Nanking November 11 to attend conference of provincial governors called by Gimo. Soong stated nominal reason conference discuss food problems but he fears actual reason is to canvass possibility negotiated settlement with Communists in light deteriorating military position. He asked me if I had any information this connection and I replied in negative.

Soong then stated that as far as he was concerned he would not be party to any compromise solution with Communists; that in his opinion any form coalition would be merely initial step complete Communist take-over China; that there can be no question of compromise and that only alternative to complete capitulation is to con-

tinue to fight Communist advance whenever however possible and that he proposed hold out in this area as long as possible. He added he was convinced that governors Hunan, Kiangsi, Kwangsi, Yunnan and Kweichow⁵⁶ were of like mind (in this connection 238 to Embassy, repeated Department 217, October 25 [24]⁵⁷).

In reply question whether governors referred to prior paragraph would be willing accept unified leadership, Soong expressed conviction that they would and there was clear implication that he hoped to assume such leadership. He admitted that will to resist among National Government forces at present time practically nonexistent and that people generally are searching for new and dynamic leadership which would offer rallying basis for all non-Communist Chinese. He inveighed against current National leadership and, although Gimo's name was not specifically mentioned, clear implication was that Gimo and Whampoa command must go. He referred to incompetence of command and false pride as being primarily responsible for current position North China.

He expressed grave concern with regard military position north Nanking and anticipated large-scale Communist incursion lower Yangtze Valley unless Pengpu could be held. With regard to latter, however, he was not sanguine. It is his own personal estimate that he can hold Kwangtung against force of not more than 20,000 to 30,000 regular Communist troops but he does not believe that Communists will be halted for long on Yangtze line and that Communists will attempt rapid penetration South China in force. He considers Hunan to be fairly vulnerable and if Hunan were to fall [to?] major Communist effort, Kwangtung would be lost and that fall of Canton would for all practical purposes mean complete Communist take-over of China.

You will gather from foregoing that Soong is in state of great mental depression with regard to current situation cut [but?] throughout conversation he reiterated his personal determination not be party to any compromise agreement with Communists. In his depressed state of mind Soong seemed to have no concrete ideas as to what action could save the situation at this time but adverted on several occasions to his convictions with regard to the inevitability of a third world war. I will report more fully by courier on November 10.

Governor [of] Kwangsi already Canton and I am seeing him this afternoon.

Sent Nanking 255, repeated Department 234.

LUDDEN

⁵⁶ Cheng Chien, Hu Chia-feng, Huang Hsu-tsu, Lu Han, and Ku Cheng-lun, respectively.

⁵⁷ Not printed.

Nanking Embassy Files, Lot F-84—800 China

The Minister-Counselor of Embassy in China (Clark) to the Director of the Office of Far Eastern Affairs (Butterworth)

NANKING, November 8, 1948.

DEAR WALT: Within the past few weeks, the Government's military power and economic position have so deteriorated that we seriously question its ability to survive for long. There is just no will to fight in Nationalist Government armies and in high official circles there is only befuddlement. We have reported on the various crises that the Government has had to face, and for that matter still faces, and there is no need to recount them here. It will suffice to say that at no time has the Government been able to devise measures adequate and suitable to the tasks confronting it, and that most of the measures adopted have actually operated to the Government's detriment. There is little or no confidence in official Chinese circles that the Gimo has mustered, or can muster, the resources needed to rescue his regime. While there are some in the Government who say that increased American assistance can still save the day, we are inclined to believe that most of those who take this line are not, in fact, convinced that any practicable amount of aid can save them. The departure of the Gimo has been mooted in the Legislative Yuan, and peace has been advocated editorially in the Tientsin vernacular press. These sentiments are widely, if not generally, held, and it cannot be long before further military and economic debacles and their translation into effective political action.

Precisely when and exactly how the present Government will go is impossible to foretell. There are so many imponderables involved that no firm prediction can be made. However, when it goes there must be sooner or later a new government for China, and this must be either wholly Communist in character, or one in which the Communists play a leading role. There will very likely be certain sections of the country that will hold aloof for the time being to see how the wind blows. Nevertheless, it appears at the moment that the new "Central" Government will result from an association of the Communists with the minority parties and a segment of the Kmt. In this case the degree of control which the Communists exercise will always be enough to insure that their opponents cannot combine to eliminate them by force. Actually, the extent of this control is virtually at their pleasure, for they can very likely maintain the preponderance of military power which they now hold and so enforce their will against their opponents. Thus, insofar as the opposition cannot, through the foreseeable future, develop the military potential needed for a counter revolution, the new government must be very much what the Communists choose to make it.

If there is one thing certain in this situation, it is that the problems facing the new government will be of an almost indescribable magnitude. The native agrarian economy is in grave crisis, and that segment of the national economy organized along Western lines is in an equally serious plight. At almost all levels political institutions no longer function as they were intended to, so that a state of loosely controlled anarchy obtains. Only a part of the general chaos is directly attributable to the civil war; many of the crises stem from the deeper contradictions of Chinese society. We can assume that the new government will soon succeed in ending civil strife, though conflict may continue briefly in peripheral areas and may flare up anew from time to time. We can also assume that the new government will display more administrative ability and that it will, at least in initial stages, have a higher degree of probity than the present regime. From these assumptions we may expect it to make some substantial progress in solving those problems which are the products of civil war and bad government, and so contribute to its own stability.

We have often pointed out just how the present Government has been wont to do those things it ought not to do, and to leave undone those things it ought to do, and how, in so doing and not doing, it was bringing on its own downfall. The main problem facing the new government is to do those things it ought to do in meeting the minimum requirements any government must provide for those it rules. Here we may fairly question whether the new government has this capacity, and from all indications it would appear that the answer is in the negative. Briefly, the basic problem of the new government will be the ordering of the national economy so as to insure a livelihood to all, and at the same time acquire from the nation's production a surplus for its own support. This involves the rehabilitation of the national economy—not only in terms of repair and replacement to physical plant—but also reconstruction of economic institutions, and it involves the reorganization of the economy in terms of a new economic and social philosophy which is altogether an import and has no real roots in the country. To do these things, the new government will need a feasible program, good administrative personnel, and it will need, above all, matériel. Whether its program is feasible remains to be seen. It is certainly true that it has not worked too well in the agrarian areas which the Communists have held. It may work on a national scale if sufficiently amended, but deep and vital changes will be difficult without doing violence to the Communists' basic, underlying dogma. Good administrative personnel they lack, as do the Nationalists. Indeed, effective, trained administrators are in short supply throughout China. The material most needed are capital goods which cannot be produced within the country and must be im-

ported. There is little prospect in the foreseeable future that, however and by whomever managed, the national economy can produce a surplus, over and above the requirements of the State for its own maintenance, to pay for the imports needed.

The difficulties we mention, while basic, are only a few of the many that will arise. However, on a short term basis the prospects are that a new government will achieve some success, and will gain a considerable measure of popular support. For one thing, it will have brought about an end to the civil war, the consummation devoutly to be wished as far as most Chinese are concerned, regardless of the manner of its coming. Also, it will at the outset likely be able to do certain things of benefit to the masses, which any "good" government could do. Indeed, it may well, over a considerable period of time, be regarded by the body politic as a vast change for the better. But as it must come to grips with its fundamental problems, its chances of giving a satisfactory performance diminish.

In brief, the Communists' main problem is the creation of economic stability, and it is difficult to see how they can do this in any permanent way without outside help. As matters now stand, we are virtually the only source from which help can be obtained. The Communists well know that any aid from us will be contingent on specific political performances which we require of them. In the North Shensi radio broadcast of October 30 (see our telegram 2056 of November 2) ⁵⁸ they clearly demonstrate their awareness of the seductive power of our aid on the non-Communist membership of a coalition, and in so doing they admit by implication that it may be equally seductive to themselves. The broadcast takes great pains to warn their present and potential associates that the Americans will try to secure their defection through "intelligence" and secret police methods, and that we will "organize and give financial backing to 'centre parties and groups' and (attempt to) split and destroy national movements." This certainly suggests that they will watch their non-Communist colleagues assiduously. The question is, however, how long they can avoid reacting to the popular appeal that the possibility of American aid must continue to have, since economic rehabilitation without aid is all but impossible.

Given this situation, our position will be a difficult one. With the emergence of a Communist-dominated National Government, we will have, in a very real sense, lost the cold war in this part of the world. We will have to proceed on a day-to-day basis with as flexible a policy as possible. We should, we believe, promptly suspend our commodity exportations under the China Aid Program—or any part of it remaining—and announce that in light of developments we were reviewing

⁵⁸ Not printed.

the entire Program. It might develop later that by the wise use of the power given us by Chinese economic needs we could influence, if no longer the Government, perhaps in some degree the pattern of events. If the new Government were so organized that a considerable degree of autonomy accrued to provincial administrations, it might be possible to favor those autonomous areas remaining relatively free from Communist influence and there might be other small ways in which we could influence events.

Our foregoing comments concern the longer view, rather than the immediate future. As we say, what will come in the next several months, or even weeks, is almost impossible to predict. The fall of Mukden, which occurs as this is written, is likely the beginning of the final series of military debacles for Nationalist arms. At the moment it appears that the isolation of Hsuchou has begun. In this situation, of all the Government there are few, if any, save the Gimo who even profess confidence that the tide may yet be turned. Only a few days before Mukden fell, the Government had five well equipped, supplied and trained armies in the Manchurian field, the most formidable striking force at its command, and within a few days these armies were lost. They were lost not from battle casualties, but from defection, although among their commanders were numbered officers long associated with the Gimo, and in whose loyalty he trusted implicitly. The troops at Hsuchou are far inferior to the former Mukden garrison, and their commanders are already resigned to defeat. There is no reason to believe in their will or ability to resist an offensive. And when they are gone, Nanking has no defenses worthy of the name.

It is not difficult to see why the Gimo retains some confidence in his star. His beginnings were modest, and from them, against great odds, he led a revolution and was the principal architect of a new state. For a time his government was successful. More than that he was able to maintain it through the eight years of his war with Japan and in the end to regain the territories that he had lost. His achievements are by no means inconsiderable, and they testify to his qualities. There is a tendency on our part to forget that Chiang succeeded as a revolutionary, and that he still regards his party as a revolutionary party. It was his fate that there should develop in China another revolution in competition with his own, and that, in the broader view, the Kmt has become to the Communist revolution what the old, war-lord regimes were to Chiang as he rose to power. The Gimo does not understand this, and so, to some extent, he regards himself as the protagonist of a revolution which must in the end succeed because all men must recognize that it is essentially right. To that extent he must regard his triumph as inevitable and his reverses as but setbacks incidental to the temporary perversion of natural order. These are, in general, the reasons which constrain him to

continue the struggle when it has become apparent that it is a lost cause.

There appears no reason to believe that the Gimo has, or will consider, a negotiated peace with the Communists, even should they agree to deal with him. This intransigence will prolong the conflict as long as there are any who will stand by him. It remains to be seen how many of his followers will remain when the news of Mukden becomes generally known. Their members will be appreciably less when the assault on Hsuehou begins. Whether he will have enough of a following to attempt a defense of Nanking is problematical, even doubtful, but it seems clear that once he has left Nanking in flight, he will never again be a really effective political force in this country.

Very sincerely yours,

LEWIS CLARK

893.01 Manchuria/11-948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 9, 1948.

[Received November 9—12:43 a. m.]

539. *Sheng Yang Shih Pao* today states North China People's Government established September 20 with Tung Pi-wu [as] Chairman and Pu I-po, Lan Kung-wu and Yang Hsiu-feng [as] first, second and third vice chairman respectively. Other heads of Government Lan Kung-wu, Minister Interior; Chao Chieh-fu, Minister Education; Jung Tse-ho, Minister Finance; Yao I-lin, Minister Industry and Commerce; Sung Shao-wen, Minister Agriculture; Huang Ching, Minister State Enterprises; Wu Ching-tien, Minister Communications; Yin Hsih-peng, Minister Health; Hsu Chien-kuo, Minister Security; Hsieh Chueh-tsai, Minister Justice. November 2 will henceforth be celebrated in northeast as Victory Day.

Sent Nanking 672, repeated Department 539, Tientsin 179, Peiping 264.

WARD

893.00/11-948 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State ⁵⁹

TIENTSIN, November 9, 1948—3 p. m.

[Received November 10—3:08 p. m.]

327. Re our telegram 570, November 6.⁶⁰ KMA ⁶¹ at Tangshan reports General Lin of Sixty-second Army and General Hou of

⁵⁹ Copy transmitted to the White House on November 11 for President Truman at Key West, Florida.

⁶⁰ To Nanking; repeated to the Department as No. 322, not printed.

⁶¹ Kailan Mining Administration.

Ninety-second Army passed through Tangshan yesterday and moving their troops by rail from Tangku to Luanhsien and eastward. Troops probably those mentioned re telegram who continued on by boat from Cwt.⁶² KMA also reports Taiwan troops previously at Tangshan have moved Peiping area.

In view fact Sixty-second Armies being brought back to Tangshan-Luanhsien area, leaving only mostly collection defeatist troops at CWT, it is possible Fu Tso-yi will make no serious effort to hold CWT but will try to hold Kailan mines which necessary keep Tientsin utilities going especially water works.

Chinese press reports four columns Communist troops under Lin Piao who crossed Great Wall north of Shanhaikuan moving through Funing towards Fengjen 15 miles north Tangshan. Some Chinese here believe Communists offensive aimed at KMA mines but seems also possible Communists may sweep around Government troops to cut rails between Tientsin and sea, and/or cut railway between Tientsin and Peiping.

Chinese here no longer say "if" Communists arrive, but "when". As stated my telegram 560, November 2,⁶³ there is universal desire for peace. Generalissimo's speech yesterday Nanking expressing "inflexible determination" of Government to fight on evoked comment "he should get out and let us have peace".

As stated my telegram 560, November 2, Chinese here feel it is too late for American military aid which they believe would only hopelessly prolong war and suffering of people. In present circumstances and mood of people here, it is believed American military aid would stir up anti-American feeling, thereby endangering Americans in North China.

Sent Nanking 573, repeated Department 327, Shanghai 537, and Peiping.

SMYTH

893.00/11-948: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 9, 1948—6 p. m.
[Received November 9—6:44 a. m.]

2150. Sino Supreme Headquarters today informed Military Attaché,⁶⁴ who is reporting separately, that battle for Hsuchou has begun. Stated two Nationalist divisions, formerly under Feng Yu-hsiang, have already gone over to Communists and fear defection five

⁶² Chinwangtao.

⁶³ To Nanking; repeated to the Department as No. 315, p. 534.

⁶⁴ Brig. Gen. Robert H. Soule.

similar division[s] in same area. Also said Government intends defend Nanking at all costs and that he expected "serious trouble" here.

Present local garrison insufficient long defense of city. Former Hulutao garrison now en route here by water for reenforcement. However, their reliability considered highly dubious. Consensus American military observers agrees Communist assault on Nanking will begin within 7 to 10 days.

STUART

893.00/11-1048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State ⁶⁵

NANKING, November 10, 1948—4 p. m.

[Received November 10—10:39 a. m.]

2163. We are reliably informed that Generalissimo has expressed intention continue fight against Communists as long as he remains alive. He expresses confidence in his ultimate victory and insists that present military situation not beyond repair and that Hsuehou garrison will check further Communist advance toward Yangtze. Similar confidence expressed today by Cheng Kai-min ⁶⁶ to Military Attaché and same views have been indicated to us by others closest to Generalissimo.

This confidence in victory and desire to fight is not shared by any except those who by long and close association with Generalissimo could not survive under Communist-dominated government, and their confidence is not deep. It is true that there are some officials who believe Government armies can temporarily hold defense line along Yangtze and Huai rivers and that American intervention will allow Government to build base in South China wherein Government will be secure and from which Government can reconquer north. Those holding this view count on American intervention and are encouraged in this delusion by Generalissimo, as reported Embtel 2075, November 3 ⁶⁷ and Embtel 2116, November 6. ⁶⁸ Subject matter of latter was given United Press by Foreign Office press officer and published November 7, and stories indicating immediate increase of American aid are regularly appearing in Government-controlled vernacular press.

Bulk of populace and virtually all officials except Generalissimo and immediate entourage appear to hold views contrary to above, are resigned to early Communist victory, and believe that immediate

⁶⁵ Summary of telegram transmitted to the White House on November 11 for President Truman at Key West, Florida.

⁶⁶ Chinese Deputy Minister of National Defense.

⁶⁷ Not printed.

⁶⁸ Vol. VIII, "U.S. Military Assistance to China" (Ch. II).

cessation hostilities would be in best interest of all concerned. In past week Chang Chih-chung⁶⁹ telegraphed Generalissimo advising peaceful solution present conflict. Generalissimo summoned him Nanking and since arrival, presumably with Generalissimo's knowledge, Chang has conferred with Soviet Ambassador,⁷⁰ seeking means to peaceful solution. He has indicated that results conversations not altogether satisfactory but that they will continue. Liu Chih, Vice President of Control Yuan, has held similar talks with Soviet Embassy. Vice President Li Tsung-jen also advocates cessation hostilities and states Generalissimo is sole stumbling block negotiated settlement. So far as we are aware, peace group has no plans forcing their views on Generalissimo, and it is likely that they are at least partially deterred in this by reiterated propaganda of resistance group that American intervention will yet save the day.

In general, stalemate in Government now obtains, with most officials seemingly paralyzed and incapable action. For example, local military commanders are hesitant approach Generalissimo for purpose concrete planning defense Nanking and they fear to consult him to plan for flight of Government. Also, whether still hopeful of American intervention, fearful of Generalissimo's wrath or from some other motivation, none of more important proponents of peace move appear able or willing translate their desire for peace into effective political action. Meanwhile, apprehension mounts within city. Some ranking officials, among whom is Minister National Defense,⁷¹ are making individual preparations for flight to Canton or elsewhere. Refugees from Pengpu are pouring into city with rumors Communists are attacking that city. Communist currency today quoted on black market, and on north bank of river is preferred to gold yuan.

In this situation, we believe crux of matter is whether there will be orderly transfer of power from present to successor government. Those favoring peace apparently have no means making views prevail except by some such method [as] replacement Generalissimo through coup, for there does not appear any likelihood that he will give up struggle of own accord. On contrary, he is, in his present temper, much more likely to attempt defend his capital, and, as battle finally goes against him, to commit suicide. Thus, there appears little likelihood of formation temporary caretaker government comprised of persons able and willing to negotiate with Communists. Should present Government end in death or unplanned and disorderly flight of Generalissimo and his entourage, there is every prospect of breakdown of authority in that part of country still under Nationalist control, with attendant high incidence of civil disorder. Under these con-

⁶⁹ Military and Political Affairs Director for the Northwest.

⁷⁰ N. V. Roschin.

⁷¹ Gen. Ho Ying-chin.

ditions, whatever military resistance is still maintained will be sporadic, generally ineffective and will entail grave dangers to foreign population and additional distress and suffering to Chinese people.

STUART

125.0093/11-1148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 11, 1948.

[Received November 11—2:40 a. m.]

2162. From Acting USIS China Director.⁷² Since events rapidly coming to head, Embassy proposes following directive govern USIS operations should Communists seize control your district:

1. Resume USIS activities soon as feasible thereafter when order restored limiting initial activity reopening office library to gauge relation local populace and officials.

2. Gradually expand operation as feasible offering motion picture showings, poster exhibits et cetera limited basis initially. Might be well try provide movie show for Communist officials since unlikely most films cause offense and might pave way wider showings.

3. Resume news file even if distribution limited including distribution all new Communist officials [and] such newspapers as publishing. Expand distribution whenever feasible. Local editing may be necessary if Shanghai not under Communist control since news file originates there. If Shanghai newscast blocked, copy Wireless Bulletin direct from Manila translating most suitable items.

4. Exercise caution initial operations to avoid complete shut down by Communist officials following moderate line until possible stiffen attitude.

5. Our policy should be to show benefits derived from American type democracy playing softly at first theme our way living offers only hope freedom and dignity of man.

6. Emphasize much as possible all official US statements on China. Emphasize United Nations activities US part and carry all statements reports blaming Soviet policy stumbling block world peace. Use greatest extent possible all items denouncing Communism, citing examples suppression freedoms other Communist dominated areas, detailing fate other nations which fell behind Iron Curtain.

7. Remember always no compromise with our principles. We shall continue USIS operations only so long as feasible possible accomplish our effort to offer strength and succor to non-Communists in hopes eventual overturning Red rule in China.

Sent circular Mukden, Shanghai, Peiping, Tientsin, Hankow, Chungking, Taipei, Canton. Repeated Department 2162. Department pass Mukden.

STUART

⁷² W. Bradley Connors, Consul at Shanghai, was head of the United States Information Service in China.

893.00/11-1148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 11, 1948.

[Received November 11—4:44 a. m.]

2174. Nanking Defense Command informs Military Attaché that martial law declared at midnight November 10 in area bounded roughly by Hangchow, Shanghai, Pangfou [*Pengpu?*], Anking, Wuhu and Nanking. Nightly curfew 2300 hours to 0600 hours.

Sent Department 2174; repeated Shanghai 1078.

STUART

893.00/11-1148 : Telegram

The Acting Secretary of State to the Ambassador in Paris (Caffery)

WASHINGTON, November 11, 1948—2 p. m.

451. For Bohlen.⁷³ Immediately following tel⁷⁴ contains summary my press conference Nov 10, ECA press release re Hoffman statement Nov 8 and material for possible use re Tsingtao⁷⁵ (DELGA 677 Nov 10⁷⁶).

One theme currently running through much press comment on China is need for "clear cut" US policy in China. Alsops⁷⁷ state President has "directly intervened" in China policy question by ordering Marines remain Tsingtao and requesting arms be sent north China and such action implies "serious search for positive China policy will now be made". Alsops state Dept theory has been best policy was, in effect, "no policy at all". Hanson Baldwin⁷⁸ states recent events emphasize "necessity of American policy in China" based neither on *status quo* nor on "plague-on-your-houses" concept. He also says US has "no clear-cut policy in China". Says we "must search for desperate remedies" may have to support individual Chinese generals but admits far more preferable would be thorough clean-up and reform Chigovt and concludes nothing we can do is likely put definitive end to civil war. He describes Europe as "first front" and warns US cannot afford pour billions into China lest aid become insupportable drain on our resources.

In light foregoing, it might be desirable for background purposes to explain to American correspondents basic considerations governing

⁷³ Charles E. Bohlen, Counselor of the Department and Adviser to the American delegation to the United Nations General Assembly at Paris.

⁷⁴ GADEL 452, November 11, 2 p. m., to the Ambassador in Paris, vol. VIII, "U.S. Economic Aid to China" (Ch. V).

⁷⁵ For correspondence, see *ibid.*, "Status of U.S. Naval Forces at Tsingtao".

⁷⁶ Not printed.

⁷⁷ Stewart and Joseph Alsop, newspapermen.

⁷⁸ Military editor of the *New York Times*.

US position in China. We do not want Com China. Our China aid program designed afford Chigovt opportunity adopt internal measures which in final analysis only effective means stop Coms. Foreign aid cannot provide solution China's problems. Japs as occupying enemy power bogged down in China and we, as friendly nation, could not assume position authority and control similar to that of occupying force even in unlikely event Chigovt would permit it. At every turn our efforts aid China have met Chinese sensitivity both in and out of Chigovt re fancied encroachments on Chinese sovereignty arising from strong nationalistic feeling. To assume responsibility and obligations entailed in underwriting Chigovt politically, militarily and economically would require us override and ignore Chinese sensibilities this point and would involve far-reaching commitments and liabilities at financial cost impossible to estimate. Such course would require our direct involvement in civil war at likely cost of American lives and would furnish Coms and other Chinese critics our position in China ammunition for anti-US attacks and might well tend unite Chinese to considerable degree behind Coms and thereby strengthening Com political position. Our own resources are limited and we must take into consideration our commitments in other vital areas throughout the world. In any area where we extend assistance, we must remember that our aid, while perhaps marginal factor which enables friendly govts to establish sound economies and stable conditions, cannot provide final answer. That can come only from efforts of recipient govts.

LOVETT

893.00/11-1348 : Telegram

*The Consul General at Shanghai (Cabot) to the Secretary of State*⁷⁹

SHANGHAI, November 13, 1948—1 p. m.

[Received November 13—4:55 a. m.]

2398. Dr. Lo Lung-chi⁸⁰ in recent conversation with member Consul General's staff stated only danger which exists for American lives and property in event Communists take over lies in any policy statement which Secretary or President might make announcing determination continue support Generalissimo and to step-up aid to him. Lo stated regardless American official feeling such statement would be exceedingly unwise at this time as it might give birth widespread anti-American movement. He said vast majority people see recent

⁷⁹ Copy transmitted by the Acting Secretary of State to the White House on November 13 for President Truman at Key West, Florida.

⁸⁰ Former leader of the Democratic League which was declared illegal by the Chinese Government in October 1947 on grounds that it had been "linked with the Communists and joined the rebellion".

Communist military successes only in light cessation civil war and return of peace and stability. What form new government will take, he said, not now matter of consideration to them, and they would regard American announcement continuing aid Generalissimo as meaning sacrifice of their welfare on altar American worldwide anti-Communist program.

Lo stated that in event Communists take over Shanghai he was confident his ability to see that no harm came to American lives and property so long as American Government refrained from making any strong pronouncements.

Consul General has noted strong tendency among Chinese both high and low levels to discount Communist victory and take-over and to regard future in light of their own activities and interests. Thinking now revolving around situation when they come, not if they come.

Pouched Nanking 1816.

CABOT

893.002/11-1348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 13, 1948—6 p. m.

[Received November 14—1: 44 a. m.]

2203. Chang Chun ⁸¹ has been under additional heavy pressure to accept Premiership and has again refused. Following this refusal he has been considering a proposal that he proceed to US and possibly Paris in effort to secure some kind of assurance of additional American aid. If successful he would then subsequently accept Premiership.

The Ambassador has endeavored to dissuade him from this idea on basis that American people, regardless of which party is in power, are desirous of doing all within their power to assist China, but that nothing further of any consequence could be done except by Congressional action and Congress does not meet until January. If Chang Chun were to undertake this mission it would only arouse false hopes and he would necessarily return without having accomplished anything.

The Ambassador believes it likely he has succeeded in dissuading him.

STUART

⁸¹ Former President of the Chinese Executive Yuan.

893.00/11-1348: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*⁸²

NANKING, November 13, 1948—6 p. m.

[Received November 14—2:57 a. m.]

2204. General Chang Chih-chung is here on visit from Sian having been summoned by Generalissimo to discuss current issues. He called on me earlier this week and lengthy discussion ensued. He said he told Generalissimo that he still held views expressed last June to Generalissimo in Sian to effect that it was useless to continue military struggle with Communists; that this position was now all the more true and that all people wanted peace. Generalissimo's reply according to Chang was that he also had always realized that the problem could not always be solved by military means, but that he (Generalissimo) wished to wait until conditions were more favorable to Government before undertaking negotiations.

In discussing Communist policy in event of resumption of peace talks and establishment of coalition government with strong Communist participation, Chang reviewed record and public statements of present Communist leaders on basis his acquaintance over past 20 years. They are all, he said, men of peasant stock, strongly nationalistic, and while doubtless on very friendly terms with Russia, and had attained all their technique and ideology from USSR, he still did not believe that these men would want China to sacrifice her independence. In admitting present indication to the contrary, he advised US to be on guard but open-minded; that US could encourage more democratic and nationalistic elements of CCP as opposed to radical pro-Russian group which, in his opinion, is in minority.

Chang denied press reports that he had long discussion with Soviet Ambassador, declaring he had seen Roschin this time only briefly. While denying that he had discussed [on] this visit the possibility of USSR acting as mediator in civil war, he alleged that there were other Chinese who had reopened this idea. As far as he (Chang) was concerned, he considered ideal solution would be for US and USSR to act jointly in mediator role; that such step would be great contribution to world peace if influence of these two countries could be fused in China into something that brought them together with common objective. He refused to believe that aims of two countries, as far as China was concerned, were too divergent to attempt this.

This lead to discussion of American policy and his comments he said came from the heart as an old friend of mine. He spoke of very general critical feeling toward US among all types of Chinese and

⁸² Copy transmitted by the Secretary of State to the White House on November 13 for President Truman at Key West, Florida.

expressed hope we would adopt clear-cut policy and stick to it. Kmt followers blamed US for inadequate, long-delayed aid, while CCP followers blamed US for helping Kmt and thus preventing Chinese solution of an internal problem and Chinese in between, while belonging to neither group, blamed US for vacillating and inconsistent policy, however well-meaning, which only increased hardships of people and produced nothing constructive. His remarks in this direction, he assured me, were made in desire to lead US to decision which might be made unmistakably clear and remove hopes and fears regarding our future course from minds of Chinese of all types.

He concluded that he had talked very freely with Generalissimo on more than one occasion since his arrival in Nanking but after Generalissimo's latest statement at Kmt headquarters last Monday he is resigned to fact that any further efforts in Generalissimo's direction are useless.

Above views of Chang should be considered in light of his known record and attitudes. As Department will recall, he was one of the more active Government negotiators during General Marshall's Mission in China.⁸³ He got along with Chou En-lai⁸⁴ perhaps better than anyone else and the two men are friends of many years standing. Chou himself once remarked that he found Chang easier to deal with than anyone else. Some months ago Chang admitted to a reliable American correspondent that he had maintained contact with Chou. It is also known that Chang has for some time now been an open advocate of coalition as the only way out of the current impasse. His record in Sinkiang, on the whole, has been good in terms of conciliation and maintenance of *status quo*. He appears to have gotten along well with all factions there including Soviets. It seems likely that in event of coalition he would be more acceptable to Chinese Communists than would most Government leaders.

STUART

893.00/11-1348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 13, 1948—8 p. m.
[Received November 14—2:06 a. m.]

2208. As Department may know, there is meeting of Provincial Governors in Nanking to discuss strengthening of total war and food situation. T. V. Soong, who is among them, called on me afternoon of his arrival. His principal concern with conference is food.

⁸³ General of the Army George C. Marshall was Special Representative of President Truman in China, December 1945-January 1947.

⁸⁴ Member of the Central Committee and the Politburo of the Chinese Communist Party; head of the Communist delegation during 1946 negotiations.

On the general situation Soong repeatedly said he would resist communism to end in his own province (Kwangtung); that this was his duty as Chinese citizen because he was fighting Russia; that he would do his best and take consequences. He was in fatalistic mood regarding military reverses thus far and outlook for future, but nothing would change his own resolve. He foresaw some kind of league of governors of southern provinces in resisting Communist advances.

He was very critical of Generalissimo for his high-handed tactics, general obstinacy and particularly his use of incompetent men. He foresaw difficulty in any attempt of Generalissimo to make stand anywhere south of Yangtze; in rallying public support and consolidating southern regions, and at same time making preparations to drive Communists back from Yangtze. In discussing almost total lack of approval of Generalissimo's position both within Government and by Chinese public, Soong blamed hero-worshippers around Generalissimo for not keeping him better informed.

Governor Soong, while seeming cheerful in a resigned sort of way, is obviously worried, depressed and not in best of health. He confided that he was still suffering from chronic stomach trouble and sleeps only with aid of drugs.

STUART

893.00/9-2048

The Acting Secretary of State to the Ambassador in China (Stuart)

No. 230

WASHINGTON, November 13, 1948.

The Acting Secretary of State refers to the Embassy's despatch no. 396, September 20, 1948,⁸⁵ and in particular to the following sentence:

"(5) *Coalition Government*. The reversal of American policy in regard to this issue becomes a rather academic question in view of the *intransigent* attitude of both the Kuomintang and the Communist Party."

A review and careful examination of all recent instructions to the Embassy has been undertaken in an attempt to ascertain the possible occasion for any such concept of a reversal of American policy. This search revealed that the only recent instruction which dealt with the question of a coalition was the Department's Top Secret telegram no. 1164 of August 12, 1948. This telegram was occasioned by the following statement in the Ambassador's despatch no. 287 of June 30, 1948:

⁸⁵ Not printed.

"They [the Chinese Communist Party] ⁸⁶ hint that if we Americans are sincere in wanting peace, we should demonstrate this by withdrawing all of our armed forces from China, which is only one of several indications that they continue to think in terms of our mediation. I am maintaining an attitude of friendly but passive interest while assuring them that the door is still open if they care to take advantage of it."

Telegraphic instruction no. 1164 of August 12, 1948, was sent as indicated therein so that there should be no misunderstanding since it was considered that the above-quoted statement was not constant with the instructions set forth in telegram 90664 of January 27, 1947,⁸⁷ which was despatched by the Secretary of State to the Ambassador through Colonel Underwood ⁸⁸ at Nanking, the third paragraph of which is as follows:

"The foregoing decision [i. e., the withdrawal of the Executive Headquarters] ⁸⁹ should not operate to interfere with assistance by you if either side initiates appeal to you, in your normal functioning as American Ambassador, for assistance in the various problems peculiar to the Chinese situation. The above does however spell conclusion to negotiations which were initiated by me in December 1945. Should a decision be reached to reopen negotiations they of course would probably take a new shape and you would be duly advised as to whether or not it is desirable for the Embassy to participate."

Accordingly, it will be appreciated that assurances that "the door is still open" were misleading and unauthorized. So far as the U.S. Government was concerned, the door was not open and, therefore, the assertion quoted in the first paragraph of this instruction is not in conformity with the facts.

893.00/11-1548: Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 15, 1948—1 p. m.

[Received November 15—2:07 a. m.]

2406. Dr. Carsun Chang ⁹⁰ called and left with me message for General Marshall forwarded in immediately succeeding telegram. He

⁸⁶ Brackets appear in the original instruction.

⁸⁷ *Foreign Relations*, 1946, vol. x, p. 709.

⁸⁸ Officer in charge of the Embassy Liaison Office, successor to General Marshall's office in China.

⁸⁹ Brackets appear in the original instruction. A press release issued by the Department on January 29, 1947, indicated that the United States Government had decided "to terminate its connection with Executive Headquarters which was established in Peiping by the Committee of Three for the purpose of supervising, in the field, the execution of the agreements for the cessation of hostilities and the demobilization and reorganization of the Armed Forces in China."

⁹⁰ Chairman of the Democratic Socialist Party.

said that Chiang Kai-shek must go and that far from weakening the anti-Communist front it would actually strengthen hands of such leaders as Fu Tso-yi and Pai Chung-hsi if Generalissimo were eliminated from picture. With his elimination anti-Communist generals could stabilize military situation for some months provided American aid continued. This would enable them to work out a peace. I pointed out that we could not intervene between Chinese factions and asked whether Chinese pressure alone would be sufficient to persuade Generalissimo to go. Dr. Chang said pressure from all quarters would in his opinion be sufficient for this purpose. Dr. Chang said that Chinese were sufficiently opposed to communism to continue civil war provided they did not have fatal handicap of Generalissimo's leadership.

Sent Department, repeated Nanking 1821.

CABOT

893.001 Chiang Kai-shek/11-1548 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 15, 1948—2 p. m.

[Received November 15—5:12 a. m.]

2407. Following is message referred to mytel 2406, November 15, 1 p. m.

"To General Marshall: Chiang Kai-shek is a fatal liability in the present desperate situation. He must go. It is the considered opinion of mine and that of a wide group of intransigent progressive intellectuals and leaders that only one course remains open if American policy is determined to save the situation. It is imperative to take decisive action immediately to rally and fortify that will of resistance of reliable fighting forces in order to prepare for the situation which must be well under control when the exit of Chiang Kai-shek is to be effected. If America ignores the nuisance opposition of Chiang Kai-shek and gives sufficient encouragement and effective aid directly to Generals Pai Chung-hsi and Fu Tso-yi and gives assurance of aid to Generals Hsieh Yueh and Chang Fa-kwei who though deprived of command by Chiang Kai-shek are in position to recruit and regroup especially Cantonese forces, a last ditch battle making effective use of American arms can be assured. With Fu Tso-yi and the forces of the northwest holding North China, with Pai Chung-hsi strengthened by Hsieh Yueh and Chang Fa-kwei who are ready to take action pending your assurance holding the south and with the forces of Yunnan, Kweichow, Szechuan falling in line, the cause is not yet lost.

Besides these measures which must be taken immediately if they are to be effective, America must prepare to encourage and assist the rise of a new militant leadership composed of the best elements and tried leaders who are to rally around Li Tsung-jen. An overall plan political, military and economic must be drafted by consultation and

effectively enforced with American technical assistance and direction. It is a race against time.

"I appeal to you in the name of democratic cause and solidarity and on behalf of all intransigent elements whom I am in contact to give this proposal your sympathetic and prompt attention. History imposes on American statesmanship the duty and task to direct and shape the course of human destiny. China awaits your help. Carsun Chang."

Sent Department; repeated Nanking 1822.

CABOT

893.00/11-1548: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 15, 1948—6 p. m.

[Received November 15—8:18 a. m.]

2220. Li Tsung-jen called me in for long conversation last week, gist of which was: Generalissimo is staying on against best interests of nation and wishes of people; he is greatly influenced by US attitude; he should be told that US Government feels that he would be best serving cause of his people if he withdrew from office now before complete military defeat, making way for new non-Communist leadership in government and country; that such new leadership would need unequivocal American support and that it could rally support of south and western China effectively enough to keep Commies north of Yangtze. (See Shanghai's telegram 1800, November 10 [12], repeated Department 2377).⁹¹ On 14th Vice President sent confidential emissary to me to renew his case and to express extreme urgency of action now. If present situation were allowed to run its course he pointed out he would lose any political influence which he might now enjoy or expect to acquire by voluntary departure of Generalissimo and there would be nothing left for him to do but retire to his home in Kwangsi.

We feel that President's reply to Generalissimo (Deptel 1608, November 12⁹²) may have effect of demonstrating to latter limited extent of our further support of him thus responding in part to Li Tsung-jen's request.

With respect to unequivocal support for new but non-Communist regime, we have already suggested to Department desirability of considering issuance of clarifying China policy statement (see my 2129 [2119], November 6, repeated Paris 8). If public statement considered undesirable, I urge that I be given authority to tell Gov-

⁹¹ Not printed.

⁹² Vol. VIII, "U.S. Military Assistance to China" (Ch. II).

ernment officials such as Vice President and all political leaders who inquire that US does not favor Communist participation in any new Chinese government and that should such event occur it would be forced to review in its entirety China aid program and other forms of assistance now being made available. I feel that a clear-cut statement of our policy on Communist participation in governments in China or elsewhere would not only be honest but might conceivably give our friends that inspiration to resist Communist advances, if and when the Generalissimo retires from the political scene, to save south and west China from slipping behind the Iron Curtain at least for the time being or in any case to strengthen them in the all but inevitable forthcoming negotiations with Communists. Such a statement might well stress the danger to China's national independence if the Communists succeed.

Substantiating this is fact that Foreign Minister came to see me today to ask for official statement from Washington to effect that bipartisan foreign policy of US Government includes China as well as other areas of globe. Foreign Minister seemed to feel this would be very useful to his Government at present moment with arrival of Bullitt⁹³ in Shanghai and statement by Senator Bridges⁹⁴ reported here on stepped up aid which has led in some quarters to confused thinking on American intentions and capabilities in present crisis. Any clarification at this time of our policy should, I believe, be of value.

Sent Department 2220; Department pass Paris 11 for the Secretary.

STUART

893.00/11-1548: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 15, 1948—6 p. m.

[Received November 16—1:07 a. m.]

2221. In recent conversations with Generalissimo it has developed that he is seriously considering desirability of referring problem of Chinese civil war to UN as constituting threat to world peace. I also have reason to believe that T. V. Soong is urging this course upon him. Chiang is motivated, I believe, by the difficulty National Government has had in identifying in public mind Communist rebellion with foreign aggression. The apathy of Chinese generally

⁹³ William C. Bullitt, Consultant to Congressional Joint Committee on Foreign Economic Cooperation.

⁹⁴ Senator Styles Bridges, Chairman of the Congressional Joint Committee on Foreign Economic Cooperation, made a statement to the United Press on November 8.

toward extension Communist domination is explained to large degree by their considering Red forces as Chinese and not as agents of foreign power. Reference of question to UN he thinks might force USSR to take position clearly identifying it with Chinese Communists. If UN were to consider Chinese problem effort would probably be made to bring about cessation of hostilities and thus freeze his presently deteriorating military positions and give him breathing spell.

Since continuation of present trend of military events presages Communist domination of all China, he finds little to be lost at this stage by bringing Soviet Union through UN openly onto China scene.

I can see objections to such course such as (1) extensive American assistance to Nationalist Government, including military aid, could be used by USSR as new basis for attack on US in UN council in now familiar pattern; (2) Soviets might consider time propitious to identify themselves with "new democratic forces struggling liberate China from reactionary Kmt and American imperialism" and use this opportunity to pose publicly as champions Chinese masses; (3) UN, already overlaid with major problems western world, might be unable support strain of added burden represented by complex Chinese situation.

In any event as matter is obviously receiving Generalissimo's attention I should be grateful for any views Department may have for use in case question is again raised.

STUART

893.00/11-1648 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 16, 1948—3 p. m.

[Received November 17—5:23 a. m.]

586. Summary events and observations following Communist civil take-over Mukden. Communist troops which occupied Mukden efficient and thorough, and wasted no time reducing isolated pockets Government resistance groups and when Government forces neutralized all except minimum Communist troops were withdrawn for use elsewhere. Outstanding characteristics of troops were discipline and efficient briefing as to correct attitude toward populace and specific work details assigned. Troops far better clothed than Government troops formerly occupying Mukden. Sturdiness leather shoes worn particularly impressive in comparison light canvas shoes issued Government troops. Troops without exception appeared healthy and well fed. Average soldier remaining Mukden very friendly and troop discipline thus far withstanding temptations captured city.

First Communist effort in city was restoration order. Preliminary effort successfully made by military who overcame Government resistance groups with dispatch and then stopped looting. Military efforts then succeeded by civil officials who by effective police methods continued tight control of populace and city now peaceful. Far less random rifle fire now heard at night than at [any?] time during past 20 months.

Second Communist undertaking was economic rehabilitation, with primary emphasis on making food available to populace which has been hungry for months. Effective commodity price controls established, and large stocks grain made available to public at controlled prices. Radio advertisement informed populace correct prices of commodities and where such could be purchased at these prices. Free trade and discontinuance seizures farm products by Government troops have resulted arrival more foodstuffs from hinterland than at any time during past year. Effective price control plus increased supply has resulted in fact market prices some basic cereal commodities lower than controlled price ceiling.

This major Communist undertaking was inauguration educational program for people, information disseminated by voice from small groups organized Communists shouting slogans and giving short speeches from trucks moving slowly through city and a more organized information dissemination via local radio station. Propaganda distributed in writing via the newspaper and from slogans painted on every available wall or building. Reading rooms established throughout city. Fourth major undertaking was rehabilitation public utilities and major industries. City electric power and water restored without undue delay. Telephone system revitalized. Major industries such as arsenal and cereal mills resumed production. Street car service operating. Theaters reopened. Major effort now being made toward resumption normal rail traffic between Mukden and all points within Communist-held Manchuria. Communist[s] accomplishing these tasks speedily and with little or no apparent wasted effort. Former staffs Government industries being used effectively in coordination Communist technicians and workers. Loyalty former Government workers quickly won by Communist pronouncement minimum monthly wage, lowest type laborer shall be equal to 100 catties of *kaoliang* (equivalent US \$4).

Political activity thus far rational. No information has reached us indicating arrest of former Government official, nor has there been any purge. Communist desire speedily win confidence and friendship local people exemplified fact local police have not molested persons selling military goods looted from Government warehouses during period turnover.

Communist[s] make no secret of cloth being in short supply. Have placed but little Communist money in circulation and are openly bartering foodstuffs for cloth and used clothing of all types.

No instances of arrests or molestation in any way, any foreign persons remaining Mukden. Attitude remains correct. Believed Communists would adopt an even more cooperative and friendly attitude were it not that they are attempting impress on foreigners that Chinese administration and policy making is prerogative of Chinese and while foreign suggestions will be received and given consideration, final decision and action rests upon Communists Government itself.

Capture Yingkow and Hulutao and Government evacuation Chengte, Jehol Province, which gives Communists undisputed control entire four northeastern provinces with vast area, highly developed industries, rich natural resources, deep water harbors, rail transportation network poses problems to Communists which they have not heretofore been called upon to face. It is by no means certain that Communists are prepared to cope successfully with these problems, which will entail foreign trade arrangements. If Communists are to progress there are certain items such as medicine, cloth, machinery and manufactured goods which must be imported. Communications with foreign countries must be opened and recognized monetary system established. Existence of blackmarket for CCP money in Mukden indicates populace regard CCP northeast yuan with skepticism. It still remains to be proved whether Communists can rehabilitate this area with the same despatch and success as that with which they wiped out final resistance in them.

Department pass Nanking 696.

WARD

125.0093/11-1148 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 16, 1948—5 p. m.

1630. Dept commends in general proposed directive (ur 2162 Nov 11) govern USIS operations areas which may come under Communist control. Dept offers following considerations this subject for comment and repetition to appropriate posts in Emb discretion:

1. In Communist controlled areas or in event establishment Communist-dominated Govt all or most China, USIS operations and trade opportunities likely remain two principal US means influence. Hence Dept agrees it extremely important exercise tact caution necessary to avoid shutdown USIS operations which would deprive US one its most important future weapons.

2. As arm US policy USIS must be guided by same considerations that guide overall US policies. While there no intention surrender our objective of a free independent China friendly to US or compromise our principles, it must be recognized that most effective course to achieve our objective while supporting our principles need not always be most direct and obvious one. This consideration applies paragraphs 6 and 7 proposed directive.

3. Last sentence para 6 seems suggest course which likely to result in closing offices in Communist areas, especially if widespread private distribution attempted or effected. While such frontal assault Communism will in time be made, it would seem unwise tactics isolated USIS offices immediately launch suicidal attacks. Depending on local circumstances and relationship with Communist officials, it might be useful provide latter with material on fate Eastern European countries as matter info to them, believe unwise attempt wider dissemination immediately.

4. Based on OWI⁹⁵ experience Yen'an and Exec Hqtrs Peiping, Dept believes there will be heavy demand from Communist functionaries others for books, movies, pictures all other info materials from US. Even though many items will obviously be censored, Dept believes in long run it will be most advantageous maintain maximum flow info through all media possible even though much will reach only Communist officials and censors.

5. It will be a vitally important contribution if we can provide Chinese Communist leaders with an accurate picture of the western world and thus avoid a situation where their decisions and actions are based solely on info first filtered through Moscow. If in addition a considerable portion of this US info can reach Chinese public living under Communist regimes, USIS will be most useful adjunct US policy.

6. Above considerations suggest that at this stage USIS offices in Communist areas might well be considered sources whatever American ideas, knowledge, info can be spread under present circumstances rather than active psychological warfare outposts serving as centers aid and comfort to any who presently trying overthrow new regimes. Time may come when US policy will dictate change to latter type operation but premature assumption such role only prejudice future success.

7. If value info on outside world apparent to local Communist officials as Yen'an and Exec Hqtrs experience suggests, believe requests for display Communist literature in USIS offices as already requested Mukden can be tactfully deflected by pointing out USIS libraries contain US material, their function supply picture US life and thought, that Congress appropriates funds support them for this sole purpose. As Emb points out precedent refusal accept Kmt literature exists. Also precedent successful continuance USIS libraries without altering exclusive US character exists in Iron Curtain countries where govts so far foreborne press action which necessitate change or closure.

⁹⁵ Office of War Information.

Dept will telegraph shortly pertinent info on USIS operations Eastern Europe which deemed useful China and airmail fuller discussion Eastern European experience.⁹⁶

LOVETT

893.00/11-1648

*The Consul General at Hong Kong (Hopper) to the Ambassador in China (Stuart)*⁹⁷

No. 68

HONG KONG, November 16, 1948.

SIR: I have the honor to enclose a copy of a written statement⁹⁸ prepared by Mr. C. Y. Li, of the KmtRC,⁹⁹ which was furnished to this office by Mr. Li on November 10, 1948. Mr. Li stated that the statement had been drafted some three weeks before.

Mr. Li claims, in the enclosure, that the KmtRC has been responsible for most of the major defections of Kmt troops, including the turn-overs at Changchun and Chinchow. He also refers to the significance of the defection of National Government forces at Tsinan, and predicts that KmtRC influence will bring about further defections, claiming that many groups within the Kmt are convinced that it is only the KmtRC which can bring about a solution of China's difficulties. The enclosure dismisses "the grave concern . . . of some quarters . . .¹ over the superiority of the Communist military strength as compared with that of the Kmt after the establishment of a Coalition government" with the assertion that all armies of China will be nationalized. That there is no KmtRC army now is explained by the embarrassment which the existence of such an army would cause the Hong Kong authorities, who have given shelter to the KmtRC headquarters, and by the claim that it would be inconsistent for the KmtRC to have an army in view of its sponsorship of a truly national army under the new government. The enclosure concludes with an appeal for the cessation of all aid to Chiang Kai-shek.

It is the opinion of this office that C. Y. Li's written statement was prepared in explanation of certain statements which he made to Vice Consul Service² concerning the possible formation of a KmtRC army under Ts'ai T'ing-k'ai and the establishment of a KmtRC administrative area in north China (reference this office's telegram no.

⁹⁶ Instruction No. 247, December 28, to the Ambassador in China, not printed.

⁹⁷ Copy transmitted to the Department by the Consulate General without covering despatch; received November 29.

⁹⁸ Not printed.

⁹⁹ Kuomintang Revolutionary Committee.

¹ The wording of the enclosure is as follows: "Some quarters have expressed their grave concern," etc.

² Richard M. Service, Vice Consul at Hong Kong.

188, October 16, 9 a. m. [9 p. m.]³ and despatch no. 57, November 1, 1948,⁴ entitled "Interview with Li Chi-shen,⁵ October 19, 1948").

On November 10 C. Y. Li said that he believed that Ts'ai T'ing-k'ai is somewhere in north China, and that he may be leading troops, probably the Yunnan divisions which surrendered at Changchun and Chinchow. Li stressed that if Ts'ai is leading troops, he would be doing so in the capacity of an officer in the (Communist) People's Liberation Army, and not as a KmtRC leader. From these remarks it may be assumed that the scheme for the formation of a KmtRC army was abandoned by Marshal Li before reference to the CCP (possibly owing to the rapidity of military developments), or that it was rejected by the Communists, who could scarcely be expected to welcome the establishment of a powerful private army within their sphere.

Respectfully yours,

GEORGE D. HOPPER

893.00/11-1648

The Consul General at Peiping (Clubb) to the Director of the Office of Far Eastern Affairs (Butterworth)

PEIPING, November 16, 1948.

[Received December 2.]

DEAR WALT: I received your letter of October 23, 1948⁶ on November 7. It was apparent to me that the letter was written in anticipation of a probable Republican victory at the polls. I hasten to assure you that I was one of those who expected that Dewey⁷ would win—after all, the pollsters and most of the press had been firmly of that opinion and they did influence our judgment of the trend of American public opinion. Despite the circumstance, however, that one of the premises on which you based your letter had presumably been somewhat altered and despite the further circumstance that the political and military situation in China had deteriorated to such a degree that it was hard to see how any American group could come forth with sound reasons for suggesting that any American aid which now could be given would change the course of events, I communicated the substance of your advice to the officers of this Consulate General on November 9. The advice is still sound and of

³ Not printed, but see telegram No. 1970, October 22, from the Ambassador in China, p. 509.

⁴ Not printed.

⁵ Chairman of the Kuomintang Revolutionary Committee.

⁶ Not found in Department files.

⁷ Thomas E. Dewey, Governor of New York; Republican nominee for President.

course in the event that something in the nature of an AVG⁸ is brought forward by Chennault⁹ or in the event of an international war involving the U. S. and the Soviet Union, the position of American citizens in Communist-occupied areas would be uncomfortable to say the least.

As matters stand today, there have been evacuated already from Peiping nearly half of the Americans previously resident in this area. Today also I communicated to the concerned members of the staff the essence of the Embassy's offer to the women clerks and to consular dependents the opportunity to evacuate should they wish in the near future. Before you receive this letter you will have received information indicating that some at least on the consular staff are prepared to avail themselves of the opportunity offered.

You know, even as I write this letter, that there is little enough time to spare for those who may desire to leave Peiping before the Communists come. It is of course true that Fu Tso-yi, by concentrating his troops in this area and putting a large force behind the Peiping Walls, could make this point one which a wary Communist commander would be loathe to attack likely [*lightly?*]. That, however, is hardly the way things will come, in my estimation. The probable defeat of the Nationalists at Hsuechow and the success of that defeat on the morale and organization of the Nationalists in Nanking and Shanghai and the Yangtze, the weakening of Fu's position by the loss of Paoting and the (probable) subsequent loss of T'aiyuan will in themselves exert terrific pressure on Fu to try to save something from the wreck. You well know that my opinion is that he will probably choose to retire farther to the West in order that he can keep his armies intact: for him to remain here means ultimately only that he would be chopped to pieces.

It is no time tonight to discuss the matter in detail for there will be many developments occur even before you get this letter which would make my forecasting in good part a waste of breath. I would observe, however, that Chiang Kai-shek has stuck in Nanking so long and is bringing the Nationalist regime down into so complete a collapse about his head that it is apparently now practically impossible for any other Nationalist combine to come forth and save the situation: no combination is now strong enough to stand face to face with the Communists and bargain on an equilateral basis. The best thing that at present apparently is that some of the Nationalist leaders might be permitted to enter into a combination with the Communists—yes, call it coalition—in which combination they would play for a time

⁸ American Volunteer Group; for correspondence, see vol. VIII, "U.S. Military Assistance to China" (Ch. VI).

⁹ Maj. Gen. Claire L. Chennault.

a semi-independent role of leaders in provinces which the Communists feel themselves unable as yet to take over and therefore would relegate temporarily to the semi-independent provincial leaders. Those leaders existing largely as authorities with limited political power, would of course not be permitted to maintain large military forces which would singly or in combination by hypothesis in due course offer a threat to the Communist power. In such circumstances the main American hope would seem to be one of fostering Titoism,¹⁰ not one continuing to support armed resistance to a military power which now strongly dominates the situation. This is the new situation which faces us. I will give you my ideas in regard to the subject in more detail after the smoke and dust has cleared away a little more.

You may have thought on receipt of Nanking's telegram of October 22¹¹ that I omitted to take up with Lewis¹² in the course of my visit to Nanking the matter of the prospect for telescoping ECA aid to China for political purposes. I did not in fact omit to discuss that matter with Lewis: as a matter of fact, it was first on my list but I was told by Johnny Jones¹³ in the course of his recent visit to Peiping that the Embassy thought it worthwhile to bring [up the?] matter once again for such consideration as the Department might wish to give. I might as well report at this time that to the best of my knowledge and belief, I took up with Lewis at the same time all the other items that you gave to me for discussion with him. Your letter to the Ambassador (although also discussed with Lewis) I delivered in Peiping where I found the Ambassador himself upon my arrival on October 10. In short, I believe I covered the field that you had staked out for my survey.

I have been rather busy in the past month, as you can imagine getting back into the swing of things again. Granted opportunities for communications, I hope to let you know a little more often any reaction to the current events. I will be writing again. In the meantime, all best wishes to yourself and Virginia for a happy Thanksgiving.

Sincerely yours,

EDMUND

¹⁰ Marshal Josip Broz Tito, head of the Yugoslav Communist Party and Government, broke with the Communist Internationale at Moscow on June 28 and followed a policy independent of the Soviet Union.

¹¹ Telegram No. 1971 from the Ambassador in China, p. 505.

¹² Lewis Clark, Minister-Counselor.

¹³ John Wesley Jones, Counselor of Embassy in China.

893.00/11-1748 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 17, 1948.

[Received November 17—5:47 a. m.]

465. At public gathering celebrating anniversary birthday Sun Yat-sen (November 12), Commander in Chief of North China Bandit Suppression Headquarters Fu Tso-yi made important speech of which substance was as follows (translation *Hua Pei Jih Pao* version November 13).

As result military developments Manchuria, Communist forces that area will push onwards against North China and increase Nationalist burdens here. Study of military reverses Manchuria indicate Nationalist defeat not in battle but by their own collapse and disorder. Nationalist failures in suppression rebellion entirely due to Nationalist corruption and impotence which enabled enemy score certain temporary and partial gains. Communists were able defeat corruption and impotence because embezzlement and corruption ought to be defeated. But Communist totalitarianism, terrorism and cruelty cannot overcome Chinese ideals democracy, freedom and peace.

Looking at situation in prospect it is noted that understanding of North China people has been increased through innumerable tragic experiences and that those people now know that rebellion is not simple ordinary civil war but struggle between two different ways of life—between democracy, freedom and peace on one hand and totalitarianism, terrorism and cruelty on other. Despite recent Communist propaganda to effect that they would cease “liquidations” (*Ching Suan*) and “struggle” (*Tou Cheng*), North China people know well such propaganda is deceptive trick. Most of Government force North China are uncorrupt. They possess ideals, live simply and fight and sacrifice themselves for certain principles and for the people. If in recent fighting Manchuria various Nationalist forces could have aided each other in accordance with plans, they might have gained big victory instead of suffering defeat.

Nationalist fight for maintenance National independence and dignity, for realization Three People's Principles, for world peace, freedom and democracy. Nationalist military strength North China is great and with solid support of people Nationalist forces would be able suppress rebellion. For development universal and intensive total war following important points must nevertheless be observed for close coordination between military, political, economic and cultural groups:

(1) Purging of Communist elements and extirpation treacherous elements to end that Nationalist interior be stabilized and rear con-

solidated; (2) Manifestation resolute fighting powers through high morale and high training in warfare; (3) Identification Governmental economic policies and interests of the people; (4) Opposition to embezzlement and corruption; (5) Overthrow of concepts of favoritism within and between cliques with consolidation of all forces into combat strength; (6) Consolidation of strength of the people and unification armed forces Government and people with coordination for winning ultimate victory.

In conclusion General Fu said there was only one truth, namely, that there would ultimately be victory in fighting to suppress rebellion and he expressed belief that "Democracy and freedom will eventually defeat totalitarianism and terrorism."

Sent Department 465, repeated Nanking 694, Shanghai 459 and Tientsin.

CLUBB

893.00/11-1748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 17, 1948—11 a. m.

[Received November 17—6 a. m.]

2239. As straw-in-wind, member Legislative Yuan reports to Embassy officer, Yuan was informed November 15 special session Government has not yet decided whether defend or abandon Nanking. All members living in non-Communist territory were advised return to their homes.

Naval Attaché¹⁴ has report from member Generalissimo's personal secretariat, usually reliable source, that Generalissimo has decided attempt at least temporary defence of capital. If forced leave he will depart with small staff for Nanchang and if necessary thence to Hengyang and finally Canton.

Sent Department 2239, repeated Canton 89.

STUART

893.00/11-1748 : Telegram

The Secretary of State to the Acting Secretary of State

PARIS, November 17, 1948—2 p. m.

[Received November 17—12:48 p. m.]

MARTEL 146. Personal for Lovett from the Secretary. Re China and my recent interview with Ambassador Tsiang,¹⁵ he stated that

¹⁴ Capt. Samuel B. Frankel.

¹⁵ See memorandum of November 13 by the Secretary of State of a conversation with the Permanent Representative of China to the United Nations Security Council (Tsiang), vol. VIII, "U.S. Military Assistance to China" (Ch. II).

"the most heartening thing that could be done at the moment would be a public announcement by the President or me that the US considers the combatting of communism in China and the Far East equally as important as combatting communism in Europe". I notice some such reference in one of your reports of Chinese Government proposals. I also noted your résumé to Dr. Stuart reciting President's previous remarks on communism in China,¹⁶ but is that not buried away too much in the past to be of any help in present crisis? I am in doubt as to advisability of statement but I would like to have it carefully reconsidered.

MARSHALL

893.00/11-1748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 17, 1948—3 p. m.

[Received 11:02 p. m.]

2241. In November 17 conference with Military Attaché and officer of Embassy, General Tang En-po, newly appointed commander Nanking-Shanghai area, General Tang said that he could not hope to defend area with presently available forces if Communists succeed mopping up Government forces engaged between Nanking and Hsueh-chou. Said Communist attack against Hsueh-chou area weakening and Government not yet lost control situation there.

He was generally pessimistic over Government's long term chances avert general military collapse and said Communists almost certainly unwilling accept armistice proposal at this point. Also stated that Government has lost confidence of people making adequate defense measures such as recruiting difficult. Concluded by saying that he would take measures insure safety foreign community in areas under his command.

Sent Department, pouched Shanghai, Canton.

STUART

893.00/11-1748 : Telegram

The Secretary of State to the Acting Secretary of State

PARIS, November 17, 1948—5 p. m.

[Received November 17—3:19 p. m.]

DELGA 791. For Lovett from Rusk.¹⁷ Following is text memorandum of conversation between Tsiang (China) and Jessup.¹⁸ With

¹⁶ Telegram No. 1608, November 12, 7 p. m., to the Ambassador in China, vol. VIII, "U.S. Military Aid to China" (Ch. II).

¹⁷ Dean Rusk, Director of the Office of United Nations Affairs.

¹⁸ Philip C. Jessup, Deputy U. S. Representative in the United Nations Security Council (SC).

reference to Tsiang's statement as to attitude of Secretary, Secretary confirms that he presented the views substantially as reported by Tsiang.

Department's comments and instructions are urgently needed as basis for reply to Tsiang. As personal opinion, believe matter such great importance Department should estimate situation without reference to possible temporary effects here during closing days of Assembly. Principal effect here would be further discouragement to those governments already deeply concerned over tense situation; on other hand, no one is under illusions about gravity China situation and full public recognition of world wide character present struggle might be distinct advantage. Suggest Butterworth carefully weigh question of proof of Soviet action in China since availability of proof would greatly affect general strength of China's case before SC and before world public opinion.

Text memorandum of conversation follows:

"Tsiang called on me this morning to ask my personal advice concerning instructions he had just received from his government. They contemplated appealing to SC, probably under chapter VII, with reference to action of Soviet Union in assisting the Communists in war in China. Their appeal would be based on three points:

- (1) Hindrances imposed by Soviet Government on re-entry Chinese into Manchuria after Japanese surrendered, which hindrances prevented Chinese Government from anticipating and meeting advance of Communist forces there;
- (2) Russian assistance to Communists through supplies and military advisers during civil war;
- (3) Impairment of independence of Outer-Mongolia.

Tsiang said that so far as matter of proof was concerned, they could clearly establish Soviet obstructions to re-entry into Manchuria, that in regard to aid to Communists, they could prove there was some aid but probably could not definitely prove extent of that aid; in regard to Outer-Mongolia, the treaty of 1945¹⁹ provided for subsequent diplomatic discussions which were to constitute part of treaty. The Soviet Union sent a note suggesting agreement on proposition that Mongolian people should be allowed a plebiscite to determine whether they wish to be independent. In the Chinese reply this was agreed to but the Chinese added a provision that the Soviet Union would respect the political integrity and independence of Outer-Mongolia; the Russians never replied to this additional Chinese point.

Tsiang said the maximum program they had in mind in the SC would be a resolution under chapter VII which would find that a threat to the peace exists as a result of Soviet action complained of and would call upon the Soviet Union to desist from its acts. The minimum program would be a generalized resolution which would

¹⁹ Signed at Moscow, August 14, 1945; *United States Relations With China*, p. 585, or United Nations Treaty Series, vol. 10, p. 300.

not contain a finding of a threat to the peace or of Soviet aggression but would merely call upon all parties not to obstruct the Chinese Government in its lawful activities and not to aid those fighting against the Chinese Government. Tsiang said that frankly the thing which worried him, and he had so advised his government, was whether this appeal to the SC would interfere with US aid to China. He anticipated that it might be argued that once the matter was placed before the SC, the US should not 'by-pass the UN' and therefore should hold up any action until the SC dealt with the case. He said that on the other hand his government regarded the appeal to the SC as a matter of very great importance in convincing the Chinese fellow-travellers that the independence of their country was at stake. He also admitted, in reply to my question, that one of their prime objectives was to bring the Chinese situation into the world struggle against communism and to make people aware that the Chinese situation was just as important as the situation in Greece or elsewhere.

I told him this was a very grave question and I would not undertake to express a personal opinion. He then referred to his conversation with the Secretary and told me that the Secretary had given him to understand that while he could not undertake to advise the Chinese Government as to whether it should appeal to the SC, if they did make the appeal the US would support them in the SC.

He then discussed on a friendly, personal basis the various pros and cons. Tsiang agreed the two important elements were:

1st: Whether they could make a convincing case in the SC which would lead a majority of the Council to support some Chinese resolution;

2d: Effect on American aid to China.

Tsiang said he would be devoting his full time to this matter now and would not participate in the Palestine question in either the GA²⁰ or the SC.

Tsiang asked me to give the matter further thought and talk with him again."

[Rusk]
MARSHALL

893.002/11-1748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 17, 1948—5 p. m.

[Received 10:52 p. m.]

2242. Hu Shih²¹ told me yesterday that he is prepared to accept premiership of National Government if three conditions are fulfilled: (1) that US President or Secretary State make public statement of moral support of National Government; (2) that American economic

²⁰ United Nations General Assembly.

²¹ Chancellor of the National Peking University.

and military assistance be stepped up; (3) that he be given free hand to pick his own Cabinet.

Sent Department, pouched Peiping.

STUART

893.248/11-1748: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 17, 1948—7 p. m.
[Received November 18—12:08 a. m.]

2246. Following is Taipei's 160, November 15, 5 p. m.

"Large USMAG²² group just arrived here indicate present intentions transfer Chengtu air group here about November 20, and probable further transfers later other groups; asked my opinion all phases this policy. I replied to housing, et cetera questions pointing out critical, but said policy for top level decision.

My opinion this influx with presumed accompanying movement Chinese units bound provoke extensive local reactions to press, has already shown interest. Believe this will be played as last ditch support crumbling regime by Formosans and as intention take over by Communists. My opinion our freedom of action in crisis would be seriously jeopardized this move, which I assume has not yet received final state approval.

Inquiries local government et cetera already provoking rumors. Request instructions."

Following our reply:

"Chinese Government has taken firm decision transfer Chengtu air group and in fact other elements air force to Taiwan. There appears to be no appropriate action we could take to prevent this. JUSMAG will not accompany such movement though it is possible personnel remaining JUSMAG Nanking at time Communist occupation may seek temporary lodging south Taiwan where adequate housing and other facilities alleged available.

We realize implications and possible repercussions influx Taiwan ranking Chinese officials, but know of no action we can take to prevent. Action contemplated by JUSMAG in emergency should not, in our opinion, affect our freedom action vis-à-vis Government Taiwan.

It seems evident to us that not only does CAF plan its principal bases in Taiwan in event fall Nanking, but our information indicates Chinese Navy likewise will base south Taiwan. Given navy and air force, it might be Taiwan could be held for almost indefinite period against possible Communist attack. Should expected influx into Taiwan of ranking Chinese officials from mainland take place, we can expect disturbances among Taiwanese which may assume considerable proportions.

²² U. S. Military Advisory Group.

Your telegram and this reply repeated Department. Would appreciate your comments."

STUART

894A.01/11-1748 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 17, 1948—8 p. m.

[Received 9:37 p. m.]

2449. Formosan leader called Consulate General today and asked following be passed American authorities with request it receive highest degree protection: In event fall Nanking there will be move by Taiwanese patriots to establish independence and this uprising will not be Communist-inspired as Generalissimo and his Government will claim but will represent effort Taiwanese free themselves from oppression.

Informant stated he understood from recent press reports American General Headquarters would be removed Taiwan and his concern for American Government appreciate need for strict neutrality this period. Removal National Government officials or Chinese Armed Forces to Taiwan by American Naval vessels would be interpreted by Taiwanese as breach neutrality and act to thwart independence movement.

He was informed if American civilian and military lives imperiled measures would certainly be taken by American Government to protect them. He replied Taiwanese would see no harm came to any Americans.

He stated political Vice Minister of Justice Hung Lu-tung and several other high ranking members National Government asked for his participation and help in setting up National Government at Taiwan which it anticipated doing only in event of assurances magnified American aid. Without this assurance he stated National Government would not proceed Taiwan as it would find itself "trapped" on unfriendly ground.

Sent Department 2449; pouched Nanking 1855, Taipei 133, Hong Kong 141.

CABOT

711.93/11-1748

*The Chinese Representative in the United Nations Security Council
(Tsiang) to the Secretary of State* ²³

[PARIS,] November 17, 1948.

MY DEAR MR. SECRETARY: Dr. Wang Shih-chieh, the Minister of Foreign Affairs, has cabled me to present to you a personal suggestion which, he says, he touched upon very briefly in one of his conversations with you when he was in Paris.

Dr. Wang hopes that you will develop a bi-partisan American policy in regard to China as you have succeeded in establishing such a bi-partisan policy in regard to Europe. He feels that your success in the European field has paved the way for success in the Chinese field, if you should decide to make the attempt.

I understand that Dr. Koo, the Chinese Ambassador, has been instructed to make similar representations to President Truman.

With the highest regards,

Yours most cordially,

TINGFU F. TSIANG

893.00B/11-1748

*The Consul General at Hong Kong (Hopper) to the Ambassador in
China (Stuart)* ²⁴

No. 70

HONG KONG, November 17, 1948.

SIR: I have the honor to enclose a copy of a translation of a message ²⁵ dated November 15, 1948, from the Kuomintang Revolutionary Committee to Kmt members in China. This message appeared in the November 16, 1948 edition of the CCP organ *Hua Shang Pao*, and was included in this office's Chinese Press Review of that date.

The message is, on the whole, relatively mild, and attacks the alleged intention of the Generalissimo to place China under United States Government rule, in contrast to customary direct charges against American imperialistic aims in China. A note of confusion is sounded when the Marshal exhorts all loyal Kmt members immediately to rise and act, followed by instructions to "stick to your post, but at the

²³ Copy transmitted to the Department by the Secretary of State in his telegram MARTEL 151, November 18, noon, with a request that appropriate action be taken (893.00/11-1848); in reply, the Acting Secretary of State stated in his telegram TELMAR 176, November 19, 10 a. m.: "I assume you are leaving this communication unanswered. I shall ensure that the President is advised that as indicated therein the Chinese Ambassador will raise this matter with him on his return from Key West." (893.00/11-1948)

²⁴ Copy transmitted to the Department by the Consul General without covering despatch; received December 3.

²⁵ Not printed.

same time work for Chiang Kai-shek's downfall". Kmt military men are urged to follow the example of generals who led their forces over to the Communists.

Respectfully yours,

GEORGE D. HOPPER

893.00/11-1848 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*²⁶

NANKING, November 18, 1948—4 p. m.

[Received November 18—7 : 56 a. m.]

2253. Battle Hsuehou, by at least initial phase, has ended with Government forces holding most of original positions and Communists breaking contact and withdrawing. Main weight Communist attack under Chen Yi was directed against numerically inferior Government army group east Hsuehou. At start of battle this group was isolated and suffered losses equal half its strength, but remainder was concentrated and successfully resisted Communist assault with good co-operation from Air Force. Communists began withdrawal about November 15. Meanwhile, smaller Communist force under Liu Po-cheng, attacking from west, cut railroad several points between Pengpu and Hsuehou. Government forces Pengpu attacked northwards and have regained control of line, with Communists moving out in south-westerly direction.

Currently, Government army group from Pai Chung-hsi's command is approximately 50 miles west Pengpu moving toward that city. This group expected engage Liu Po-cheng's forces within next several days, but appears have capability reaching destination.

Communists probably unable resume offensive in this area without several weeks' delay for extensive regrouping and resupply, and may decide attack on Nanking area unfeasible with forces presently available. Thus, situation could conceivably develop into stalemate of considerable duration. Communists can concentrate vastly overwhelming force for new offensive by movement units from Manchuria, involving several months' delay. Government Supreme Headquarters Nanking amazed at success, which stemmed largely from determination field commanders and troops to fight and from effective assistance from Air Forces, which attacked vigorously from low levels destroying numerous Communist concentrations and preventing extensive movement during daylight hours.

Sent Department 2253, pouched Consulate China.

STUART

²⁶ Copy transmitted by the Acting Secretary of State to the White House on November 19 for President Truman at Key West, Florida.

893.00/11-1748 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

WASHINGTON, November 18, 1948—7 p. m.

TELMAR 174. For the Secretary. Ref Nanking tel 11 Nov 15 to Paris ²⁷ and MARTEL 146 Nov 17. It is our belief that Chi Govt proposal for appeal to UN re Soviet aid to Chi Comms (being made subject separate tel) is part general pattern developing recently. Other parts this pattern include Chen Li-fu's suggestion of US Govt public statement of policy toward China (Nanking tel 2129 [2119] Nov 6 rptd Paris 8); FonMin request for official statement re bipartisan US policy (Nanking tel 2220 Nov 15 rptd Paris 11); T. F. Tsiang suggestion public statement by President or you re equal importance communism in China and Far East with that in Europe (MARTEL 146); and Amb Koo public statement Nov 16 announcing request of Gimo to President for public announcement US policy toward China.

It seems apparent Chi Govt endeavoring obtain public commitment which would involve US Govt responsibility and bind US morally to support present Chi Govt or possibly any successor regime or regional regimes regardless circumstances or our own national interests. Amb Koo public statement represents appeal over head of US Govt to rally US public opinion behind this move.

We believe Deptel 1490 Oct 26 to Nanking (sent TELMAR 96 in draft), President's message to Gimo ²⁸ (TELMAR 155) and Deptel 1616 Nov 15 to Nanking ²⁹ (rptd Paris TELMAR 162) furnish adequate clarification US position. Pres message has made position clear to Gimo and Amb Stuart authorized by Deptel 1616 (which crossed Nanking tel 11 Nov 15 to Paris) to make that position clear to concerned Chi Govt officials. To announce publicly no possibility increased aid until Congress convenes Jan would do serious harm Gimo and Chi Govt. To make public statement implying additional aid for which no legislative authority exists would do disservice both US and Chi Govts.

Amb Stuart's belief that clear cut statement US policy on Comm participation Chi Govt might conceivably provide inspiration resistance Comm advances in event Gimo retires from political scene to save south and west China from slipping behind Iron Curtain, at least for time being, is inconsistent with picture mil situation given in Nanking tels (TELMAR 157 ³⁰) where he states no significant regular forces south of Yangtze and continued mil resistance likely to be

²⁷ Sent to the Department as Telegram No. 2220, p. 569.

²⁸ See telegram No. 1608, November 12, 7 p. m., to the Ambassador in China, vol. VIII, "U.S. Military Assistance to China" (Ch. II).

²⁹ *Ibid.*

³⁰ November 15, 6 p. m., to the Ambassador in France, not printed.

sporadic and generally ineffective if Capital falls. Nanking tel 2163 Nov 10 reports Gimo expresses confidence in victory but such confidence and desire fight not shared by any except Chinese closest to him who could not survive under Comm-dominated regime and whose confidence not deep. This tel also states bulk people and virtually all officials except Gimo and immediate entourage hold contrary views, are resigned to early Comm victory and believe immediate cessation fighting would be in best interest all concerned. In light this description situation, it is difficult to see how US Govt or anti-Comm forces could benefit at this stage by US official statement that we consider communism in China and Far East equally as important as in Europe or any other statement which by implication would similarly place US Govt in role of all-out defender of anti-Communist forces in China. That there could be any misunderstanding of this Govt's attitude toward communism in any part of the world seems incredible. However, to make any public announcements at this stage of disintegration in China which would imply US action, without at the same time revealing to the American people a true picture of situation, would be misleading to the people of the US and would imply to Chi Govt and people action by this Govt which cannot materialize or which, if short of outright armed intervention, could not be effective and even if such intervention successful would not promise permanency.

We are advised President will wish to discuss Chinese situation with you next week and are preparing data for you.

LOVETT

893.00/11-1748: Telegram

*The Acting Secretary of State to the Ambassador in France
(Caffery)*³¹

WASHINGTON, November 19, 1948—noon.

TELMAR 177. For Secy. RefDELGA 791 Nov 17. Following Nanking tel 2221 Nov 15 on same subject:

[Here follows text of telegram No. 2221, November 15, 6 p.m., from the Ambassador in China, page 570.]

ChiGovt plans for appeal to UN re Soviet aid to Chi Comms seem to fit in general pattern recent developments, characterized by ChiGovt effort involve US Govt in responsibility for its predicament and obtain public commitment implying US support beyond that authorized by present China aid program for which ChiAmb has just publicly appealed over head US Govt direct to American public

³¹ Text beginning with second paragraph repeated to the Ambassador in China in telegram No. 1808, December 10, 8 p. m.

opinion. As indicated para 2 Nanking tel 2221, Gimo finds little to be lost at this stage by bringing Soviet Union through UN openly onto China scene.

With respect three point basis for appeal to UN, ChiGovt should be able present good case for Soviet hindrances entry ChiGovt troops in Manchuria but would have taken cognizance its request that Soviets delay originally planned withdrawal of Soviet forces from that area. On other hand, there is no doubt that Chi authorities in Manchuria on more than one occasion violated or circumvented joint railway control provisions of Sino-Sov Treaty after they came into Manchuria. (You will recall that USSR withdrew certain of its railway personnel in mid 1946 as result alleged intimidation by Chinese.)

Question Soviet mil aid to Chi Comms presents serious problem. While we have always recognized as fact that USSR directly or indirectly during Sovt occupation Manchuria made possible Chi Comms acquisition surrendered Jap arms equipment in Manchuria and while we have assumed that Soviets have probably furnished additional mil matériel to Chi Comms since Soviet withdrawal from Manchuria, US Govt has no direct proof of detailed transactions on either count. Although we have recd numerous reports alleging that Soviets have been and continue supplying Chi Comms with mil aid, such reports from alien sources and usually carry rating of F-3 (reliability source cannot be judged; content "possibly true"). Moreover, continued efforts our mil and naval attachés and Dept personnel in China to obtain incontrovertible proof such reports have produced no adequate and satisfactory evidence. This connection, following Mayor K. C. Wu's ³² statement in June 1947 ³³ to visiting American publishers that "China now has conclusive proof that Chi Comms using several divisions of Korean troops trained in North Korea and six divisions of Comm forces trained by Russians in Russia" and other similar categorical statements made by Chinese officials, Vice Minister FonOff George Yeh expressed personal and confidential opinion to Butterworth that such statements should never have been made. Yeh indicated he was in process sifting evidence presented by Min Natl Defense but that he was having difficult time selecting the real from the bogus and that he was concerned lest ChiGovt make public statement which, upon inspection, would prove to be insufficient. It is probable therefore that whereas ChiGovt could turn up with mass of data it would have difficulty presenting incontrovertible evidence Soviet aid to Comms through supplies and mil advisers except possibly in case Jap surrendered arms prior to Soviet withdrawal.

³² Mayor of Shanghai.

³³ See telegram No. 1412, June 27, 1947, 6 p. m., from the Ambassador in China, *Foreign Relations*, 1947, vol. VII, p. 204.

Re impairment independence Outer Mongolia, its status as Soviet satellite or complete puppet state well known but what legal evidence ChiGovt could produce and how well it could substantiate such charge are not equally clear. However this point seems of minor importance in comparison with first two points.

In event Chi appeal to UN, it is likely USSR would seize opportunity enlarge upon its oft-repeated theme that US rather than USSR was intervening in China and would, as indicated in Nanking tel 2221, endeavor portray USSR as champion "democratic forces struggling liberate China from reactionary Kmt and US imperialism". Failure ChiGovt to prove its case before UN would result not only in Chinese and US defeat, if we supported charges and thus identified ourselves therewith, but also constitute a Soviet victory with even greater damage to US prestige than now exists by virtue ChiGovt failure to maintain itself. If UN action were likely halt present trend disintegration in China and prove advantageous US from standpoint our own natl interests, it would be one thing. However fact is that appeal to UN will not change present trends in China and in event ChiGovt unable present convincing case before UN, appeal will boomerang to Soviet advantage.

In light foregoing, we believe question whether US Govt should commit itself in advance to support ChiGovt appeal to UN should be parried pending discussion subject bet[ween] you and President on your return US. Determination nature case Chi in position to lay before UN would appear pertinent to final decision. Based on our present knowledge, we are inclined to doubt that ChiGovt could present satisfactory and indisputable evidence sufficient Soviet mil aid to Chi Comms to make convincing case which would stand up in court. Matter might in that event resolve itself into vote along East vs. West lines, proving nothing clearly and providing USSR with excellent propaganda material to advantage its cause in Far East. Although decision is one for ChiGovt, it should be noted that Chi now probably consider they have nothing to lose in placing matter before UN.

LOVETT

701.6193/11-1948 : Airgram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 19, 1948.

A-234. On behalf of another agency of the government please submit any additional information not already reported concerning the recent activities of Soviet Ambassador Roschin, especially in regard

to discussions he is reported to have held with high officials in the Ministry of Defense and the Ministry of Foreign Affairs of China.

This request has also been addressed to the Department of the Army and Navy and may have been referred by them to their representatives at Nanking.

LOVETT

893.00/11-2048 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 20, 1948—3 p. m.

[Received November 21—2:48 a. m.]

478. ReContel 473, November 18.³⁴ Chinese newsman with good contacts yesterday offered following analysis military situation as it stands this date: Informant stated Fu Tso-yi possessed 300,000 troops north Hopeh in addition 100,000 Suiyuan and Chahar Provinces and that Communists entered Hopeh from Anchu (with units of 11 Communist columns identified) now total 7 columns. To this add 8 columns commanded by Nieh Jung-chen of which perhaps 4 had already returned to Paoting region west Hopeh. Computed total Communist force approximately 300,000 but opined Communists not yet in position take offensive action involving clash main strengths primarily because Communists face difficulties supply and probably will not choose to launch major offensive until such time as their rail system south Manchuria has been repaired and put into action. Informant said Fu on his part was also reluctant initiate offensive action because he was presently training additional troops. Noting existence powerful threat against Peiping-Tientsin rail line, he nevertheless expressed opinion battle main strengths would not occur immediate future.

It must be noted some opinion in Peiping academic circles tend to estimate military crisis this area will come next spring. This estimate I believe overly optimistic. It must be assumed probable Communists now moving reserves and supplies into Jehol for concentration behind Wall passes and that first phases of attack would be heralded by thorough disruption Peiping-Tientsin and Peiping-Kalgan rail lines.

Same informant estimated two sides had suffered nearly equal losses in Hsueh battle where approximately 3,500 Nationalists faced some 16 Communist columns, of which 6 percent commanded by Chen Yi. Main losses on Nationalist side comprised two armies under Liu Ju-

³⁴ Not printed.

ming and two armies under Feng Chih-an³⁵ which defected to Communists and one army of Seventh Corps commanded by Huang Po-tao.

Total Nationalist losses he estimated quarter or fifth of original force. He less definite re Communist losses, thought 100,000, but admitted Communists customarily remove their wounded. He expressed belief neither side had won decisive victory, that Chen Yi forces had suffered heaviest Communist losses, that Nationalists not in position pursue Communist retreat in good order. He observed Communist force commanded by Chen Keng³⁶ had for reasons unknown remained inactive west of Hsuehchow. Stated battle force north-east China would not be renewed in less than 3 months (it seems possible Chen Keng forces may be functioning as reserve which could still be thrown into battle under certain circumstances). It is to be noted moreover that press reports indicate battle may not be over.

Sent Department; repeated Nanking 709.

CLUBB

893.00/11-2148: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 21, 1948—2 p. m.

[Received November 21—9:28 a. m.]

2273. In view of the Secretary's impending return to Washington and the continuing deterioration of the Nationalist position in China despite the temporary respite granted by developments around Hsuehchow, Embassy believes recent changes in Chinese Communist position and political attitudes as shown in recent statements deserve serious consideration.

North Shensi broadcasts of October 30 and November 6, 9 and 10 not only seem to demonstrate complete ideological affinity between CCP and Moscow, but also represent a significant change in CCP policy as it was announced last winter by Mao Tse-tung and Jen Po-ta (reported in various Embassy despatches). Whereas at that time there were signs of conciliation to non-Communist groups and the US, the emphasis now is entirely in accord with Soviet line.

Broadcast October 30 (summarized Embtel 2049, November 1³⁷) reported and commented on alleged establishment of American anti-Communist espionage organization in China in style which suggests possible Soviet authorship. Perhaps most interesting feature of this

³⁵ Commander and Deputy Commander, respectively, of the Hsuehchow Bandit Suppression Forces.

³⁶ Commander of the Fourth Corps of the Second Field Army.

³⁷ Not printed.

broadcast is revelation of CCP fear that even after total defeat of Nationalist armies center and left wing trade union organizations will, under American stimulus, example, and economic pressure, resist absorption into CCP domination government. The statement that "it behooves camp of left to answer American secret police provocations with further consolidation of its own unity" betrays major CCP problem. It also suggests fear that American aid will be a growing factor in course of civil war. Article, though not without some factual basis, also gave us more credit than is due. Second broadcast (summarized Embtel 2259, November 18 ^{37a}) which contained Mao Tse-tung's article commemorating thirty-first anniversary of October Revolution ³⁸ expressed clearly basis of CCP international relations and support by stating "we have aid of Communist Parties and working classes of whole world". Manifesting CCP ideological subservience to Moscow was flat statement that revolutionary forces everywhere "must organize anti-imperialist front headed by Soviet Union and pursue a correct policy. Otherwise there can be no victory". In lingo of international communism four little words "pursue a correct policy" are hard to distinguish from "comply with Soviet policy". In two places in his article Mao Tse-tung lists two major tasks of the CCP in following order (1) to oppose American aggression and (2) to overthrow Kmt rule. One conversant with Communist jargon would hardly doubt that [apparent omission] deliberately have first priority to opposing United States and second priority to crushing Kmt. Complete and unconditional loyalty of CCP to Soviet segment of this divided world was expressed in statement that "has history of 31 years not proved utter hypocrisy and thorough bankruptcy of all those who are neither satisfied with imperialism nor with Soviet Union and of all so-called 'middle roads' or so-called 'third roads' attempting to stand between counter-revolutionary front of imperialists and people's revolutionary front against imperialism and its running dogs in various countries?"

Within field of CCP political theory, most interesting of all is condensation of article by Liu Shao-chi, leading member of Central Committee of CCP, which was featured in broadcasts of November 9 and 10 and is being transmitted to Department under cover of despatch.³⁹

^{37a} Not printed.

³⁸ *Coup d'état* on October 25, 1917 (November 7 by Gregorian calendar) whereby Bolshevik seizure of Government took place in Russia. For correspondence on the Russian revolution, see *Foreign Relations*, 1918, Russia, vol. I, pp. 224 ff.

³⁹ Liu Shao-chi was Deputy Chairman of the Politburo of the Chinese Communist Party; despatch No. 486, November 29, transmitting text of article on "Nationalism and Internationalism" not printed.

Thesis of this labored but well thought out article is essentially that monopoly capitalism causes bourgeois nationalism which is responsible for imperialist aggression recently manifested by Germany and Japan and now by reactionaries of US and US-dominated countries. Opposing this aggressive force are USSR, Communist Parties and working masses of world who are intent only on achieving world unity and preventing enslavement of oppressed peoples.

In this article we discern three clear thoughts definitely establishing complete ideological affinity of CCP to Soviet Marxism:

(1) China's liberated areas are thrice explicitly included in anti-imperialist camp which is allegedly composed also of USSR, Mongolian People's Republic, Korea, East Germany, as well as people already liberated in Vietnam, Indonesia, Greece, etc;

(2) CCP reliance and faith in USSR is best expressed by following quotation: "Obtaining aid of Soviet Union, of world proletariat and Communists is most important condition for victory of all nations in winning liberation from imperialist oppression and defending national independence".

(3) That CCP has selected its side in this divided world is established by following quotation: "If you do not stand in imperialist camp helping American imperialism and its stooges to enslave world and your own nation, you must stand in anti-imperialist camp helping all oppressed nations of world win liberation or struggling for liberation of your own nation, opposing American imperialism and its stooges in various countries—the reactionaries of various countries. This, at same time, helps Soviet Union and new democratic countries of eastern Europe, helps people's democratic forces of America and all countries in world. Neutrality—standing neither on one side nor on other—is impossible".

This is in our view major contribution to clarification of ideological position of CCP. We still know too little about actual domestic practice of Chinese communism as distinct from its theory even to be sure how fully CCP leaders are themselves sold on their own words for domestic practice as opposed to foreign relations. However, we are inclined to believe that correct treatment foreign missionaries and relief workers have received in CCP territory⁴⁰ and our Consulate General in Mukden⁴¹ are expedients during a transition period. We suggest likelihood CCP has adopted temporary policy of accommodation to foreign and domestic capitalist elements similar to that best exemplified by Lenin's new economic policy in USSR from 1921 to 1927. Present indications from Mukden and Tsinan already indicate a tightening up in accordance with the familiar Communist pattern.

There are several possibilities as to why Chinese Communists, who

⁴⁰ For correspondence, see vol. VIII, "Evacuation of Americans from China" (Ch. I).

⁴¹ See pp. 809 ff.

until 2 or 3 months ago had been pursuing a distinctly conciliatory and moderate line much in the vein of the original new democracy, have now adopted a far more extreme position.

(1) In face of threat of Titoism toward which Chinese Communists adopted ambiguous attitude, Soviets may have directed Chinese Communists to make their international position conform more closely to Soviet views. As Soviets suffer continuing defeats in Europe, it must be expected that they will make all endeavors to consolidate as far as possible the Asiatic bloc.

(2) US has now made its position on communism so abundantly clear that Chinese Communists [may?] well have come to the conclusion that they have no hope of conciliating US either if they take over entire country or if they are leading member in coalition. They, therefore, may feel themselves compelled to improve their relations with their ideological brothers.

(3) This seems out of conclusion that *rapprochement* with US is impossible. Chinese Communists have been making strenuous endeavors to attract any groups in Government China which are in opposition to Generalissimo and right wing Kuomintang. These groups are increasingly bitter against the US either for what they believe to be its failure to provide sufficient aid to destroy Chinese Communists or because they believe American aid has simply prolonged the civil war. Appeal to anti-American sentiments in these groups would tend to draw them to Communists and further alienate them from ruling group in Government.

(4) These new statements do not necessarily indicate a basic change in attitude and policy. It may well be that development of events is now simply forcing them to state publicly what they have really believed all along. With their continued and expanding victories which now can reasonably give them hope of final success in China, Chinese Communists for first time become a major factor in world politics. Decisions on international relations which previously could be deferred must now be reached. If they hope to fill a recognized role in world politics, they must act accordingly. The boy, having become a man, must act like one. However reluctant they may be to face these decisions, it is no longer possible to evade them. Seeing no possibility of any kind of sympathy from US, they must make friends where they can find them. If the above reasons are correct, it can be expected that the pro-Soviet clique will in the future have greatly increased influence.

It seems likely to us that the Chinese Communists have probably made these public commitments with considerable reluctance. Straight Soviet line can hardly apply any more dogmatically in China than it has, say, in Yugoslavia and CCP must realize the difficulties which its implementation will create for them in China. Even granted the facts of international communism, the revolution which it is seeking to exploit in China will inevitably be conditioned by the social context in which it is operating. If Soviet activities in eastern Europe indicate anything, it is that they failed to realize this basic

fact of politics. Chinese Communists in their internal politics can be expected to follow their own ideological interpretations as far as their capacity permits. On the other hand, Chinese Communists are not yet sufficiently strong to stand by themselves and must therefore accept a minimum of Soviet conditions in return for support. Foreign policy emphasis of recent statements indicate Communist conviction that their international relations must for the time being take precedence over other considerations.

Sent Department 2273; Department pass Moscow 85.

STUART

893.002/11-2248: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 22, 1948—4 p.m.
[Received November 22—6:43 a.m.]

2275. Premier Wong Wen-hao informs us that since he has submitted his resignation he no longer considers himself Premier and does not go to the office at all. He has even moved out of the official residence. On the other hand, Generalissimo says he has not yet accepted resignation and, therefore, considers Wong his Premier. This has created a rather anomalous situation in which for all practical purposes the position is vacant. The press during the last few days has been reporting Vice Premier ⁴² as presiding over meetings of Executive Yuan. Since Wong Wen-hao for some time now has been little more than a figurehead with all important decisions made by others, it is conceivable that this present situation could continue for some time.

STUART

893.00/11-2248: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 22, 1948.
[Received November 22—6:47 a.m.]

2278. Central News Agency's New York datelined despatch of November 19, featuring *Life* editorial entitled "Disaster in China" was prominently displayed in November 21 issue of Shanghai's English-language *China Press*.

Article quoted extensively from *Life*'s editorial urging US to reject any plans for coalition government with Communists and made following comment:

⁴² Chang Li-sheng.

Life's editorial appeared coincidentally with American press dispatches from China which said reports have been circulating persistently in Nanking that Ambassador J. Leighton Stuart had advised Chiang Kai-shek [“]to seek peace talks with the Communists and try to form a coalition government”, although agency admitted that Ambassador had denied such activities.

Article further commented: “It may be pointed out here parenthetically that such arguments favoring a coalition are already being aired in Left-wing publications and by many so-called liberal commentators in the US.”

STUART

893.00/11-2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 22, 1948—6 p. m.

[Received November 23—12:10 a. m.]

2279. Recent *Life* magazine editorial on China fully reported and commented on in English language *China Press* (see mytel 2278, November 22). So Department may be in position to refute in its discretion statements and implications that I and members of my staff have been actively promoting coalition government with Communist participation, I categorically deny that I or any of my staff have advised, encouraged or promoted such solution in conversations with Chinese Government or political leaders. If Department will give me authority requested my 2220 of November 15, I can of course assume a more positive position in my discussions with local leaders with respect to US disapproval of Communist participation in any government whether it be China or elsewhere.

STUART

893.00/11-2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 22, 1948.

[Received November 23—3:25 a. m.]

2280. Following message was broadcast by New China News Agency of north Shensi on November 21:

“The Central Committee of the Communist Party of China issued the following important statement on November 21 concerning the demand of the reactionary Nanking Kmt Government for military protection from the American Government:

“Chiang Kai-shek and the entire reactionary Kmt Government at Nanking are now striving to place their moribund rule under Ameri-

can military protection. To this end, the Kmt reactionary Government has written a letter in the name of Chiang Kai-shek to the American President Truman. At the same time, the Kmt Mayor of Shanghai, K. C. Wu, has in recent days held successive conferences with the Commander of US Naval Forces in the west Pacific, Badger,⁴³ and the US Ambassador to Nanking, Leighton Stuart. It is reported that they have discussed a plan for American 'protection' of Shanghai.⁴⁴ It is also reported among other things that the Kmt Government is planning to ask the American Armed Forces at Tsingtao to take over the Tsingtao municipal administration.

"The Communist Party of China firmly opposes any such traitorous actions on the part of the reactionary Kmt Government and furthermore firmly denies the legal validity of any such traitorous actions. As early as the first of February, 1947, the Central Committee of the Communist Party of China announced that all traitorous diplomatic acts of the Kmt Government were null and void.

"The Kmt Government is even now about to fall. No aid to the Kmt Government by any foreign government, and no agreement between the Kmt Government and any foreign government, can either save the rule of the Kmt Government or protect the interests of the foreign government concerned. The only possible destiny of such aid or such agreements is obliteration together with the Kmt Government.

"The Communist Party of China holds that any military or economic aid to the Kmt Government by the Governments of the United States or other countries constitutes an act of hostility against the Chinese nation and the people of China, and should cease immediately. If the American Government should despatch its armed forces for either all-out or partial protection of the Kmt Government, this would constitute armed aggression against the sacred territory and sovereignty of China; all the consequences thereof would have to be borne by the American Government.

"The Communist Party of China, the people's democratic governments of China's liberated areas and the Chinese People's Liberation Army are willing to establish equal friendly relations with all foreign countries including the United States of America and to protect the rightful interests of all nationals of foreign countries in China, including American nationals. But the integrity of China's territory and sovereignty must be preserved without encroachments.

"We firmly and thoroughly oppose to the very end anything contrary to this solemn position. (Signed) Central Committee, Communist Party of China."

Sent Department 2280. Department pouch Moscow.

STUART

⁴³ Vice Adm. Oscar C. Badger.

⁴⁴ For correspondence, see vol. VIII, "Proposed International Police Force".

711.93/11-2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 22, 1948—7 p. m.

[Received November 23—2:49 a. m.]

2281. Influential Shanghai CC clique ⁴⁵ organ *Sin Wan Pao* editorially stated, November 19, that US had adopted a "very fickle attitude toward China and American policy seems to be full of inconsistencies". It further charges that present China situation is due to Yalta, and American efforts of mediation between Communists and Kmt. Editorial then says that activities of Consulate General [at] Shanghai and AAG, in spreading unfavorable news about war, have created great excitement and "made a very regrettable impression in the minds of Chinese people". This is labelled as unfriendly action. US is therefore requested to make its position clear.

We confidently expect that this is the kind of line which will be developed as situation deteriorates in order to place blame on US.

STUART

893.00/11-2248 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 22, 1948.

[Received December 8—2:10 p. m.]

A-283. One interesting little side light on the current mentality of at least certain high ranking Chinese Government officials came out in a recent conversation between Dr. George Yeh, Vice Minister of Foreign Affairs, and an officer of this Embassy. Dr. Yeh said there was general gossip in Nanking that if a coalition government should be formed, or if the Communists assumed full power, the United States would find it possible to accommodate its policy to such developments and would be prepared to increase its trade relations with such a government. According to him, the gossip interprets the continued presence of the American Consul General in Mukden as proof of these views. It is also stated that the United States is already engaged in trade talks with the Communists in Manchuria.

A check of various sources available to us in Nanking fails to reveal that any such statements are being made anywhere, except insofar as there are occasional remarks to the effect that failure of the United States to provide additional aid must surely indicate that it prefers the Communists. It seems likely to us that Dr. Yeh's deliberate falsification arises from what seems to be a deliberate campaign of the

⁴⁵ Group in the Kuomintang led by the Chen brothers, Li-fu and Kuo-fu.

Government to place the onus of the current situation entirely on the United States. We also believe that, if it became necessary, he might well find it possible to accommodate himself to changed circumstances.

STUART

893.00/11-2348 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, November 23, 1948—9 a. m.

[Received November 23—1:01 a. m.]

87. [For] Director FE.⁴⁶ Deptel 59.⁴⁷ My 85.⁴⁸ In exceptional circumstances this not sent Embassy [and] must rely Department inform it such way protect sources.

Wei⁴⁹ made extraordinary proposal or feeler, said of course this must not get Nanking and leaving me free make no answer, said perhaps I could convey to you. Apropos autonomy, said I have resources including metal put Taiwan hard currency basis, revive foreign trade, invite US business participate. Would issue low face value paper yen backed hard metal with silver token coins, said I've got resources but initially must have psychological backing such as say 10 million US silver loan public or private. I can repay at once tea, sugar, pineapple, etc., low world market prices, I can end Government controls, can control Taiwan's NRC⁵⁰ enterprises, can establish free economy indefinitely maintain staples here. For good China itself Taiwan must not go down and Generalissimo reconciled this view, if I can show him backing he will make full gesture to save island. Time however is short, if war news correct only few weeks left to Generalissimo.

Obvious if Wei can do (and think possible) what he says, what he wants is not money but public direct US loan deal for psychological purposes.

[One paragraph of a personal nature is omitted.]

I suspect Wei feels we will not recognize a remnant regime and also not recognize Communist regime, seems prepared make bids, accept terms anything avoid next suggested alternative.

I feel presence Generalissimo or any substantial part his Government here cannot but endanger peace, security, consequences reaching far future, I feel this should be made clear. If this true I convinced it is; it would not my opinion be inconsistent traditional US policy

⁴⁶ Office of Far Eastern Affairs.

⁴⁷ November 16, not printed.

⁴⁸ November 22, not printed.

⁴⁹ Wei Tao-ming, Chairman of the Taiwan Provincial Government.

⁵⁰ National Resources Commission.

integrity China instruct SCAP⁵¹ as custodian Japanese empire take over prevent threat to peace, hold in trust future legitimate government true real intent Cairo declaration.⁵²

Our military would probably not want a civilian Chinese local government such circumstances but I believe we might combat inevitable USSR line by keeping present predominantly civil relatively liberal Chinese regime in nominal power, taking in Formosans, maintaining fairness bound long run redound our credit. There is not Formosan element capable acting under military government.

The only alternative somewhat dangerous seems maintain Consular relations present Government purged in no uncertain terms Nanking connections.

My strong opinion, JUSMAG should not come here even as refugees unless we decide must recognize a government here and prepared Taiwan consequences.

Would like urgent any instructions possible.

KRENTZ

893.00/11-2348 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 23, 1948.

[Received November 23—3:49 a. m.]

484. Local press today reports voluntary withdrawal yesterday Nationalist Forces from Paoting. Communist north Shensi radio last night announced occupation that point by Communist forces same day.

Sent Department 484, repeated Nanking 714, and Tientsin.

CLUBB

893.00/11-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 23, 1948—3 p. m.

[Received November 23—11:15 a. m.]

2287. Statement Central Executive Committee CCP, contained in Embtel 2280, November 22, constitutes by far strongest statement yet made by Chinese Communists on American aid to China.

We do not look upon this as ultimatum but rather as Far Eastern counterpart of same kind of tough talk we have grown accustomed to hear during past 3 years in USSR and eastern Europe. We believe

⁵¹ Supreme Commander, Allied Powers, Japan (General of the Army Douglas A. MacArthur).

⁵² *United States Relations With China*, p. 519.

statement reflects Chinese Communist fear that now, when greater war has almost been won, active armed intervention by USA or Chennault's Flying Tigers ⁵³ might tip scales back in favor of Nationalist Government. Statement also serves to confirm observation we made in Embtel 2273, November 21 that CCP is now being impelled to assume trappings and obligations of a world power.

We also believe that this important pronouncement is an extremely astute political and propaganda move in that it must appeal greatly to nationalism and xenophobia of many Chinese as well as to large body of public opinion which is convinced that no amount of American aid can now save Gimo and that peace could best be brought to this long suffering nation by cutting off US aid immediately.

STUART

S93.00, 11-2248 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 23, 1948—7 p. m.

1690. Dept. appreciative statement urtel 2279 Nov 22 neither you nor members your staff have advised or promoted coalition Govt with Comm participation in conversations with ChiGovt or polit leaders.

Re suggestion Urtels 2220 and 2279 for statement US position Comm participation in ChiGovt, you should note Deptel 1164 Aug 12 which authorized you informally indicate US Govt attitude as implying, whether directly or indirectly, no support, encouragement or acceptability coalition Govt in China with Comm participation. In event you consider desirable from standpoint US interests, you may in discussions with local leaders orally and informally indicate US Govt does not favor Comm participation in Govts China or elsewhere in world. Pres statement Mar 10 [11] ⁵⁴ should have made this sufficiently clear. Careful consideration being given here issuance statement on US Govt position toward China as being suggested from many sources both in China and in US. It will be realized that such statement may not have effect desired by many who urge such action.

LOVETT

⁵³ Maj. Gen. Claire L. Chennault, former Commander of the U.S. 14th Air Force: president of Civil Air Transport. For correspondence on the revival of "Flying Tigers" in China, see vol. VIII, "U.S. Military Assistance to China" (Ch. VI).

⁵⁴ See *United States Relations With China*, pp. 272-273.

893.00/11-2348 : Telegram

*The Acting Secretary of State to the Consul General at Taipei
(Krentz)*

WASHINGTON, November 23, 1948—7 p. m.

63. Dept is not repeating your 87 Nov 23 to Nanking. As long as Natl Govt has any prospect of maintaining itself, this Govt must continue to honor in deed its policy of recognition and support and therefore at this stage it must refrain from any action which would have effect of diminishing Natl Govt's power or authority. It is very concerned about fate of Formosa and appreciates your awareness of actualities and potentialities.

As regards suggestion contained in fifth para your tel under reference, one of many difficulties which would surround any such course of action is fact that if Gimo disappears from scene, Vice Pres under the Chinese Constitution succeeds and Emb considers it likely that in such eventuality Marshal Li will attempt to negotiate a coalition govt with Communists which govt would therefore constitute "the future legitimate govt".

For these and other reasons Dept is inclined to view that if disintegration should occur support of a separate regime in Formosa holding itself out as trustee for island pending eventual *de jure* disposition at Jap peace conference would seem to be more feasible means of protecting US national interests with due regard for welfare and desires of people of Formosa.

Above is for your background info and any comment you may care to make. Dept wishes however to reiterate undesirability of premature action or discussion in any form.

LOVETT

893.00/11-2448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 24, 1948—6 p. m.

[Received November 25—2 : 29 a. m.]

2312. Thinking in Chinese political circles along lines of formation of War Cabinet with emergency powers and all-out effort to contain Communists north of Yangtze is developing. (See Embtels 2097, November 5 and 2242, November 17.) In brief, such a plan envisages acceptance by Generalissimo of nominal status of President in European republican tradition with his physical withdrawal to Kuling or some similar place outside the capital; the formation of a War Cabinet within the Executive Yuan with full emergency powers under premiership of some national figure such as Hu Shih; the abandonment

of North China (or at least leaving defense of that area to Fu Tso-yi) ; the establishment of a national defense line along the Yangtze River, using the full force of Navy and Air Corps to protect that line and prevent Communists crossing, and concentration of National Government's efforts economically, militarily and politically in South and West China.

The success of any such plan at this late date would admittedly depend upon removal of Generalissimo from effective control of Chinese military, political and economic affairs and substitution therefor of a more representative and vital leadership with capacity to inspire confidence and rally support of people of remainder of China to resist further Communist encroachment.

From purely military standpoint it seems doubtful that even with most favorable combination of circumstances outlined above any regrouping of national forces could contain Communists north of the Yangtze if latter brought their full military force to bear. It may well be that Communists would feel compelled to eradicate by force any government south of river which was potential vehicle for future American support. Our military advisors are of opinion that Communists will have capabilities free military movement without meeting significant organized resistance once they have completed destruction of Government armies presently deployed north bank Yangtze between Nanking and Hsuehou. Admitting that initiative always rests with Communists at this stage, it is possible, however, that prospect of meeting further and determined resistance at Yangtze would tip scales in favor of remaining north of river and consolidating their present enormous gains. Resulting stalemate, even though it lasted only through winter, would give new national government much needed breather to reorganize its own politico-economic affairs and military defenses. It would present stabilized picture, temporarily at least, for new US Congress to use as basis for consideration of further China aid.

We are not sanguine that Chinese political leadership is sufficiently energetic or organized to pull itself together and make effective effort to implement drastic course of action described. However, that is line of present thinking among best elements of Kuomintang and as such is of interest. There is once again a growing feeling that if Government can hold on until US-Soviet war, its problems will be solved for it. Bullitt's visit has played its part in this.

STUART

893.00/11-2548 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 25, 1948.

[Received November 26—2:11 a. m.]

489. Vice Minister of Information Tao Hsi-sheng in interview with Chinese press November 23 Peiping stated (Peiping *Chronicle* November 24 version) that he considered situation more stable both Peiping and south with confidence people restored as result "improved war situation in Hsuehchow". He said Generalissimo had conferred unlimited military, political and economic authority North China on General Fu Tso-yi "because Government official, and citizens in Nanking placed the same explicit (*sic*) trust in General Fu as their northern compatriots do".

In response to question re reputed intention General Chennault resurrect American "Flying Tigers", Tao said 'no views have been shown by the Central Government' but he remarked that some 200 to 300 Americans "have answered Major General Chennault's call" and stated that "it would naturally draw more attention of the US Government to China's warfare if the number of volunteers reaches 800 or 1,000 and all come to China and participate in the fighting. If the 'Flying Tigers' should participate in the warfare, Soviet Russia may dispatch volunteer air force to China and another great war may break out when planes of these two countries meet in the air.

"But that depends on whether Russia has any determination to wage war," Mr. Tao continued.

As regards talk of peace, Tao emphasized that to talk peace meant to stop fighting, that if Nationalists stop fighting Communists would continue in which case Government is bound to suffer, that war must go on for peace talk constituted Communism infiltration tactics. Tao held that it was Communist policy to start leniently with gradual tightening ring of severe control. Tao said matter of immediate importance was to stem military tide and then seek favorable development. Expression optimism over China's future, Vice Minister Tao concluded by stressing need for change military strategy and tactics:

"All that has nothing to do with the war must be done away with."

Except as indicated above by subquotes Peiping *Chronicle* item evidently constituted only summary version Vice Minister Tao's version and not direct complete quotation.

Sent Department, repeated Nanking 723, Shanghai 473 and Tientsin.

CLUBB

CHAPTER IX: NOVEMBER 26-DECEMBER 31, 1948

Continued Chinese Communist military offensives and successes; formation of new Chinese Cabinet under Sun Fo; negotiations concerning retirement of President Chiang Kai-shek and proposed peace talks with the Communists

893.002/11-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 26, 1948—6 p. m.

[Received November 26—8:22 a. m.]

2339. Reliably informed Sun Fo⁵⁵ has accepted appointment as Prime Minister. This appointment lends itself to various interpretations. Hu Shih⁵⁶ is known to be holding off until assured independence of action in respect of Generalissimo⁵⁷ and support of Kmt⁵⁸ Party machine. Generalissimo has been having difficulty with party of late and appointment of Sun Fo may be interim arrangement assuring support of party until atmosphere clears. As previously reported, Wong Wen-hao has ceased to function as Prime Minister.

Generalissimo is, we believe, reserving his final decision in respect of delegation his authority until more definite information regarding American military aid he can expect. Sun Fo appointment may also be stop-gap in this regard. He might also serve as front man for negotiated peace, though we doubt that that aspect is in Generalissimo's mind at the moment.

STUART

893.002/11-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 29, 1948.

[Received November 29—1:17 a. m.]

2353. Dr. Sun Fo, newly appointed premier of China, announced to the press that he would attempt to organize a government which would be broadly representative of all classes in nation except Communists. Premier's statement that his remarks must be considered as expressions of his personal opinion but would most likely bear considerable weight in making major decisions, coincided with press reports that he had been given a free hand by President Chiang Kai-shek to select his war-time Cabinet. Current rumors in vernacular

⁵⁵ President of the Chinese Legislative Yuan.

⁵⁶ Chancellor of National Peking University.

⁵⁷ Chiang Kai-shek, President of the Republic of China.

⁵⁸ Kuomintang (Nationalist Party).

press claim Chang Chun⁵⁹ is slated for Foreign Minister and mention both Chang Chih-chung⁶⁰ and Shao Li-tze⁶¹ as Cabinet possibilities.

In recalling his background and American education, Prime Minister said it would be natural for his Government to reflect in many ways American point of view. He then stated that China must be prepared to make any reasonable concession in order to obtain major American military assistance as soon as possible and mentioned General MacArthur⁶² as possible supreme military adviser to be given full powers.

Dr. Sun favored reopening of China's inland waterways to foreign shipping. He added that under certain circumstances US Naval Forces should be allowed to use these waterways, and saw no objection to a system under which US warships would operate on Yangtze as patrol group. Advocating a "new deal" for foreign business interests, he emphasized that foreign traders in China would be given every reasonable encouragement and protection, and asked American Chamber of Commerce in Shanghai for list of recommendations.

Premier reiterated Generalissimo's determination to continue war against Communists to "bitter end" and felt there was no question but that Chinese Communists were working in close cooperation with Soviet Russia as part of world Communist movement. In this connection, rumors in Chinese papers claim Legislative Yuan is considering motion to denounce Chinese communism as instrument of international aggression, in order [other?] words as tool of Soviet Union.

STUART

893.002/11-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 29, 1948—4 p. m.

[Received November 29—7:51 a. m.]

2357. When Generalissimo asked Hu Shih to be Prime Minister, latter suggested Sun Fo. Reasons this suggestion are reportedly that Sun Fo is regular party man and Hu Shih felt doubtful Kuomintang support for himself at this time. It is contemplated that Sun Fo will prepare way for eventual Hu Shih Premiership.

Sun Fo's complimentary references to US in comments to press (see my 2353, November 29) are part of present program involving Madame Chiang's visit to US.⁶³

STUART

⁵⁹ Former President of the Chinese Executive Yuan.

⁶⁰ Military and Political Affairs Director for the Northwest.

⁶¹ State Councilor.

⁶² General of the Army Douglas MacArthur, Commander in Chief, Far East (CinCFE) and Supreme Commander, Allied Powers in Japan (SCAP).

⁶³ For correspondence, see vol. VIII, "U.S. Military Assistance to China" (Ch. VII).

893.00/11-2948 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, November 29, 1948—4 p. m.
[Received November 30—2:23 a. m.]

386. Remytel 623, November 26⁶⁴ and Peiping to Embassy. All five British staff of KMA⁶⁵ at Chinwangtao arrived here yesterday with three KMA small vessels. They report Cwt⁶⁶ completely evacuated by Government forces noon November 27. Through night 26-27 heavy explosions indicating demolition and for 3 hours November 27 after last troop transport left, three Chinese naval vessels (one gun boat, one LST, one LSM) shelled port. Ships with Government troops reached Tangku yesterday and troops causing considerable trouble there.

KMA here reports Tangshan garrison commander has advised all who wish to leave mines area to do so now as he will shortly forbid civilian travel. At Linsi, police have asked KMA for dynamite and have put out report that if necessary they will destroy mines. Linsi commander assures KMA that scorched earth threat is propaganda to discourage Communist attack but, in view demolition at Cwt, KMA not trust assurance. KMA says Communist broadcasts to KMA staff at mines warn them to protect property. KMA manager here feels possible reprisals from Communists for failure protect property cannot be ignored and is wiring British Embassy [at] Nanking that [none of?] staff to leave mines unless Embassy advises otherwise or can obtain definite assurance from Gimo that scorched earth policy will not be followed at mines as at Cwt.

Sent Nanking 631; repeated Department 386, Shanghai 587, Tsingtao and Peiping.

SMYTH

893.00/11-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 29, 1948—5 p. m.
[Received November 29—7:02 a. m.]

2358. Madame Chiang's appearance in Washington, and the imminent Communist military threat to Nanking, should focus attention on China. As you know, she is coming to Washington to plead the cause of her husband and request increased military and moral support for the present National Government. She undoubtedly will

⁶⁴ To Nanking; repeated to the Department as telegram No. 378, not printed.

⁶⁵ Kailan Mining Administration.

⁶⁶ Chinwangtao.

make an effective impression on Congress and Congressional Committees. She will undoubtedly win the sympathy of the American people.

The present attitude of most leaders in Government and in civic affairs is that they do not want Generalissimo in control of national affairs nor do they want communism, but he is the lesser of two evils. American policy will influence course of events in China. We are confronted with the choice of aiding a leader who has not only lost the support of his own people but has allowed the military situation deteriorate to a point where Barr ⁶⁷ is convinced it is too late to be retrieved even with immediate American advice and matériel, or of witnessing the establishment of a Communist-dominated coalition. If we hold out no hope to Madame Chiang of increased military assistance, Generalissimo will probably yield to the strong pressure from Kmt to delegate powers to others. But by same token these others will probably then feel compelled to compromise with victorious Communists. On the other hand, should Madame Chiang be given assurances of increased and continuing military aid, we can expect a continuance of the Generalissimo in power, with his ineffective manner of handling affairs, and a rising tide of resentment against us for prolonging the war.

STUART

893.00/11-2948 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 29, 1948—7 p. m.

[Received November 29—8:05 a. m.]

2567. After discussion regarding possibility transfer of power in Shanghai (mytel 1933 to Nanking, repeated Department 2566 ⁶⁸), Mayor Wu ⁶⁹ commented extensively on our China policy. He said he felt it was vital to our national security to keep the "flame of democracy" alive in China. When I pointed out many people doubted that present Government could win against Communists regardless of amount of aid we furnished, he said he fully agreed and added that Government was now detested by great majority of people. He said we could be greatly mistaken, however, if we thought we could do business with Communists and mentioned Chinese knew that liquidation had already started in Tsinan. He then suggested 4-point plan and said that in view gravity of situation US should demand its fulfillment

⁶⁷ Maj. Gen. David G. Barr, Director of the Joint U. S. Military Advisory Group, China (JUSMAG).

⁶⁸ November 29, 6 p. m., vol. VIII, "Proposed International Police Force".

⁶⁹ K. C. Wu, mayor of Shanghai.

threatening [no?] aid otherwise. I pointed out gravity of interference in Chinese internal affairs. Program follows:

(1) Generalissimo should remain head of Government but surrender all real power.

(2) Responsible cabinet should be formed representing all non-Communist elements in China and should assume responsibility for war against Communists.

(3) US supreme military adviser should be appointed in effect to run Chinese armies and should be furnished with massive shipment of arms and munitions.

(4) Primarily to stiffen soldiers' morale, US should lend 250 million ounces of silver to China to pay soldiers. Mayor Wu pointed out that such a cabinet could make clear to Chinese people that this was a war against foreign imperialism.

I said that deeply moved as I was by plight of China I could only report what he had said to Washington.

Sent Nanking 1934, repeated Department 2567.

CABOT

711.00/11-2948

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 29, 1948.

DEAR MR. AMBASSADOR: There is enclosed a copy of the Department's September 1948 Policy Statement on China. This Statement has been prepared, in continuation of the former Policy and Information Statements, under a revised set of directives designed to eliminate the purely informational aspects of the Statements and to place emphasis on a frank discussion of United States policy issues and problems.

As you know these Statements are intended not only to provide guidance to each Chief of Mission but also to serve as a coordinating instrument within the Department. It is our intention to revise each country Statement at least every six months, in the light of current developments and of discussions on the policy questions involved.

Will you, therefore, go over the enclosed Statement on China as soon as possible and transmit to the Department your frank comment and recommendations which can be used as a basis for subsequent revisions.

Faithfully yours,

G. C. MARSHALL

[Enclosure]

Department of State Policy Statement on China, September 27, 1948

A. OBJECTIVES

Our objectives in China derive from our over-all objectives of providing for the security of the United States, insuring peace among nations and creating and fostering mutually beneficial commercial and cultural relations between peoples. In China we seek the development of an independent, stable nation which can preserve its territorial integrity, which is willing and able to fulfill its obligations under international law and treaties, and which is friendly toward the US and generally in sympathy with our policies. Basic considerations of American security and American interest in peace and stability in the Far East have led us to assume an active role with respect to China and to seek positive means to foster our objectives.

B. POLICY ISSUES

1. *General*

In striving to achieve our fundamental objectives we support and extend assistance to the present National Government as the only instrument now available which has any capability of bringing about an independent stable China friendly toward the US. The continuing Communist domination of large and important areas of China and the probability of further extension of Communist influence constitute a most serious obstacle to achieving our fundamental objectives. Although the present National Government is far from ideal as an instrument for opposing communism or as an avenue through which we may approach our objectives, we support it where appropriate and feasible because there has appeared no more promising alternative. Discontent, disillusionment and despair are widespread and increasing ominously within Nationalist territory. But as yet non-Communist forces of opposition to the National Government have not coalesced under leadership which would give reasonable promise of being determined and able to marshal the remaining strength of Nationalist China effectively against the Communist threat. Until this occurs, to aid and encourage any opposition movements would be to weaken the National Government and to hasten its disintegration without assurance that a more effective instrument would take its place. Obviously, to support and encourage opposition elements at the same time that we are supporting and extending aid to the National Government would be inconsistent and contradictory. However, we can and should exercise our influence with the National Government to the utmost to insure that American aid including military supplies

which China receives under the China Aid Act⁷⁰ is distributed in such manner as to be of maximum effectiveness.

A coalition government including the Communists would likewise be unsuitable as an instrument for achieving American objectives in China. The Communists have now increased their strength to a point where they would probably insist upon decisive participation in the executive branch of the government rather than mere recognition as a legal party. We may, however, be faced with such a coalition government in China resulting from the phenomenal growth within recent months among all classes of the Chinese people of the desire for peace at any price and from the further disintegration of the National Government.

Although the US supports and extends assistance to the National Government, there are weighty considerations which argue against our expanding this assistance to the point of all-out aid or becoming committed to a course of action under which we would be compelled to assume responsibility for the continued existence of the National Government or the outcome of its efforts to restore its authority over all Chinese territory. Our own resources are limited; to underwrite unreservedly the National Government would commit our resources to an unpredictable but doubtless extremely high degree in a struggle, the outcome of which would still be dubious, to the detriment of programs in more vital areas in which it is probable that our resources could be decisive. Also, the administrative inefficiency of the National Government and the extent to which incompetent and corrupt officials occupy high positions make extremely questionable its capacity to utilize effectively American aid in anything approaching all-out proportions. Furthermore, a program of all-out aid would necessitate a high degree of American control in Chinese internal affairs. This control would result in widespread resentment and opposition both within and outside of the government as constituting a derogation of Chinese sovereignty. Finally, the failure of the present leadership of the National Government to undertake social, economic and political reforms which, responding to the aspirations of the Chinese people, would win to it a wide measure of popular support counsels against committing ourselves deeply or irrevocably to its support.

The China Aid Act of 1948, which is the basis of most of our present material aid to the Chinese Government, was drafted with the preceding considerations in mind. Under its terms, the National Government is receiving grants in aid of \$125 million, subject only to administrative terms determined by the President, and economic aid administered by ECA⁷¹ in the amount of \$275 million. The

⁷⁰ Approved April 3, 1948; 62 Stat. 158.

⁷¹ Economic Cooperation Administration.

former sum was made available in order that it might, in the discretion of the Chinese Government, be used for procuring military supplies and equipment; present indications are that it will be so used in its entirety. The latter sum of \$275 million will assist the Chinese Government to economize in the use of its own foreign exchange reserves, which are rapidly nearing exhaustion. In accordance with the Act, up to 10% of the total economic aid may be used for a program of rural reconstruction emphasizing improvement of agricultural techniques, basic education, civic training and land reform. ECA has thus far reserved approximately \$70 million for high priority reconstruction projects and capital goods maintenance and replacement. The balance of the \$275 million sum will be used to finance the importation of commodities essential for civilian consumption and industrial production. Proceeds from the sale of these commodities in China will assist in meeting the budgetary deficiency of the Chinese Government but these receipts will only take the place to some extent of income formerly received from the sale of surplus and ex-enemy property and net sales of government owned foreign exchange.

All of these programs have the immediate effect of reducing somewhat the severe pressure on Chinese foreign exchange reserves, but the full effects of the rural reconstruction program and the capital goods reconstruction program will become evident only over a considerable period of time. On the other hand, the commodity purchase program is of an emergency nature with more immediate benefits to the Chinese economy. While the long-range reconstruction programs have much to commend them, a continuation or an aggravation of the critical financial situation in which the Chinese Government now finds itself may make desirable the curtailing of these programs to allow increased purchase of basic commodities.

While the proceeds from the sale within China of commodities obtained under the aid program may be used by the Chinese Government in meeting its budgetary expenses, the terms of the agreement with China under which ECA operates in that country require the Chinese Government to credit by bookkeeping entry in the Central Bank a special account maintained in the name of the Ministry of Finance in amounts of Chinese currency commensurate with the US dollar-landed cost of the commodities. This account may be drawn upon, in general with the approval of the two governments, to finance the internal costs of a variety of operations under the aid program. However, it is anticipated that there will remain a large sum the disposition of which is subject to future agreement. Our policy with regard to the ultimate disposition of this account has not been finally determined, although there is general agreement within this

government that it should not be utilized in such manner as to contribute significantly to inflation in China.

In addition to material assistance, the US is providing the National Government with advice in a variety of technical fields. At the request of the Chinese Government, the US has an Army Advisory Group (with an Air Division) and a Naval Advisory Group in China. For a considerable period following its establishment, the Army Advisory Group assisted the Chinese in an advisory capacity in connection with organizational and training matters at a high staff level and the training of general and special staff groups of the Ministry of National Defense and the Supreme Headquarters. Some training and technical assistance in the academies and service schools of the air and ground forces were also provided. Partially as a result of the steady deterioration of the Chinese Government's military position and the suspension of peace negotiations between the Communists and Nationalists, the scope of activities of the Army Advisory Group was broadened to permit certain activities which would have a more immediate and direct effect upon the military capacity of the Nationalist armies to resist the Communists. Thus in October of 1947 it was permitted to assist in an advisory capacity in the training of combat troops on a divisional level, initially in Taiwan and subsequently in the Canton area as well. Furthermore, the Chief of the Army Advisory Group was subsequently authorized under certain carefully circumscribed conditions to give advice of a strategic nature to the highest Chinese military authorities. The Naval Advisory Group has assisted in the reorganization of the Chinese Navy, especially the personnel, communications and supply branches, and has established shore and fleet training schools at Tsingtao for the purpose of training Chinese crews in the operation and maintenance of US naval vessels, the transfer of which to China was authorized under Public Law 512.⁷² In addition, it maintains personnel at Chinese dock yards at Shanghai and Tsingtao to assist Chinese engineers. It has been a basic consideration in determining the scope of activities of the Advisory Groups that they should engage in no activities which would directly involve the US in hostilities. With this in mind they have been allowed to conduct no activities in areas of actual combat and they have not been allowed to engage in any activities which might place upon the US a responsibility for Chinese strategic plans and operations. This has been in accord with basic US policy of supporting the National Government while carefully avoiding any steps which might bring about our direct responsibility for the Chinese Government's military effort.

⁷² Approved July 16, 1946; 60 Stat. 539.

American civilian advisers have gone to China either in a private capacity or under the sponsorship of various programs of the US Government. It is anticipated that further American policy and technical advisers may be made available to the Chinese Government on a highly selective basis under US Government auspices. Such assignments should be made in such a way as to minimize the possibility for involvement of the US in basic policy developments in China and implicit responsibility therefor. The past record has shown the Chinese Government generally enthusiastic about accepting civilian advisers and adept at disregarding their advice. In general the US should supply civilian advisers only when there is reasonable evidence that the Chinese Government will be disposed to act upon their advice; even under these circumstances, it probably would be necessary to give the recommendations of such advisers persistent, informal diplomatic support.

The immediate threat to the existence of the National Government must be met by a combination of military and economic measures. But in a more fundamental sense, the weakness of the National Government is political and can be remedied only by sweeping reforms which will strengthen its popular support and increase its administrative efficiency. In formulating the present China Aid Program, it was not expected that such aid would bring about either economic recovery of the country or a permanent solution of the problems now besetting the National Government. It was expected, however, that by assisting it in meeting its most pressing economic and military problems, the government would enjoy a breathing spell during which it would have the opportunity to initiate those reforms essential to a long-range solution of its problems. In furtherance of this purpose, and in conformity with the China Aid Act, the Chinese Government is committed to a number of undertakings "necessary to insure efficient and practical use of economic resources available to it . . ." ⁷³

But mere formal commitments of this nature are not enough. It is evident that to a large degree the success of our aid program hinges upon the concomitant adoption by the Chinese Government of sweeping administrative, political and economic reforms generally responsive to the aspirations of the Chinese people. The Chinese Government has evidenced extreme reluctance to implement a program of this nature, although the Prime Minister in January of 1948 announced specific measures of self-help. It therefore becomes one of the chief tasks of US Government representatives in China to convince the Chinese leaders that only through such reforms can our help be fully effective and their government survive. Our efforts

⁷³ Omission indicated in the original statement.

have been devoted to this end and they should be continued unremittingly.

It has appeared logical in approaching this problem for us to concentrate our efforts upon those reform measures which appear within the capacity of the National Government to carry out and which would be most effective in winning to it popular support. Primary emphasis should be given to: (1) economic reforms designed to distribute more equitably the fruits of productive enterprise and the burdens of taxation; (2) administrative reforms looking toward a simplification of the administrative structure of the government, the establishment of budgetary control, the reduction of governmental expenditures and the elimination of corrupt and incompetent officials; and (3) military reforms resulting in a smaller, better equipped, better officered and better disciplined armed force which would impose a lighter burden on the national budget, which would arouse less civilian ill-will through undisciplined actions and arbitrary methods of conscription, and which above all would be better able to win significant victories. The full achievement of these objectives is obviously beyond the capabilities of the present National Government or any successor government at this time, but even moderate advances along these lines would probably go far toward arresting the spread of unrest and winning to the government that popular support which it vitally needs. The dollar value of American aid made available to the Chinese Government during the period from VJ-Day until the end of this fiscal year is estimated to be in excess of US \$2 billion, a sum roughly equivalent to one-half of the total monetary expenditures of the Chinese Government during that period. Notwithstanding this very substantial assistance, the government which we have supported has grown progressively weaker and the possibility of achieving our objectives in China has become steadily more remote. No amount of foreign material aid or advice can accomplish changes which must result from essentially Chinese decisions and actions and which, in the final analysis, must be a Chinese responsibility. The tactical problem confronting American diplomacy has been and is, therefore, to induce the Chinese themselves to take these steps without placing upon us responsibility for their success or failure or for the material means, apart from presently authorized aid programs, necessary to their implementation. If American diplomacy should be unable to accomplish this task, and the lack of significant success in the past suggests that this may be the case, the US may be forced to re-examine its entire aid program which is, in the last analysis, a marginal operation predicated upon the willingness and ability of the Chinese to help themselves.

2. *Economic*

Aside from our program of economic aid, which is of a temporary or emergency nature, it is the policy of the United States to encourage and assist, when appropriate and feasible, the development of a sound Chinese economy integrated into the world economic system of multi-lateral trade on an unconditional most-favored nation basis as envisioned in the International Trade Organization (ITO) Charter.⁷⁴ This policy is consonant with our objectives in China, for an independent, stable China can, in the long run, rest only upon a sound economy; it is also in accord with our over-all objective of fostering mutually beneficial commercial and cultural relations among nations.

Under more stable conditions, it might be expected that American private capital would play a significant part in restoring and expanding Chinese industry. However, during the present period of uncertainty regarding hostilities and the future status of private capital in China, it is doubtful that American private capital will be attracted in significant amount to China. It should be noted that China is passing not only through a period of civil strife but through a much larger and more profound social and economic revolution under which old economic and social patterns are being discarded and replaced by new ones. During this period the United States should exert its influence when appropriate to the end that, in so far as possible, new patterns being established in the economic and commercial fields are compatible with our own and will provide the means for mutually beneficial commercial relations. Accordingly, American commercial policy toward China since the end of hostilities with Japan has been concerned primarily with the establishment of principles which will at some future date direct China's commercial relations with the US into constructive and mutually beneficial channels.

The pending bilateral Treaty of Friendship, Commerce and Navigation⁷⁵ and the General Agreement on Tariffs and Trade (GATT),⁷⁶ to which both China and the US are parties, embody the major principles of general United States commercial policy with respect to China. The provisions of GATT are confined to matters of trade and commerce and do not afford American nationals the right to engage in business in China or any of the personal and other rights conferred by the treaty. For this reason, the US regards Chinese acceptance of the treaty as necessary, notwithstanding the fact that

⁷⁴ Department of State Commercial Policy Series No. 113: *Havana Charter for an International Trade Organization*, March 24, 1948.

⁷⁵ Signed at Nanking, November 4, 1946; ratifications exchanged at Nanking, November 30, 1948; Department of State Treaties and Other International Acts Series no. 1871, or 63 Stat. (pt. 2) 1299.

⁷⁶ Signed at Geneva, October 30, 1947; Department of State Treaties and Other International Acts Series no. 1700, or 61 Stat. (pt. 6) A2051.

GATT is already effective. The Senate, in ratifying the treaty, made a minor reservation which the Chinese Government finds itself obliged to submit to the Legislative Yuan for approval before exchanging ratifications. The US will continue to press for approval and exchange of ratifications when the Legislative Yuan reconvenes.

In connection with the exchange of ratifications, we seek an exchange of notes making it clear that: (1) the provisions of the treaty shall not preclude action by either party which is required or specifically permitted by GATT or by the Havana Charter for an ITO so long as such party is a member of either organization; (2) the Pacific Trust Territory shall be excepted from the territorial coverage of the Treaty; and (3) advantages which might be accorded that Territory by the United States shall be excepted from the most-favored-nation provisions of the treaty.

There is a tendency in China for the state, through the medium of commissions or corporations largely or wholly owned by it, to engage in business or industrial enterprises, often in direct competition with privately owned enterprises. American businessmen with interests in China have urged strongly that the US Government bring pressure to bear upon the Chinese Government to restrict or eliminate state trading. The extent to which the US can exert pressure on the Chinese Government in this field is limited by respect for Chinese sovereignty and by the need for consistency in our general commercial policy. When we could appropriately do so, we have endeavored to impress upon the Chinese the advantage which we consider inherent in the American system of private enterprise. In cases in which Chinese Government corporations are competing directly with American private enterprises, we have endeavored to prevent the latter from being placed at a competitive disadvantage. We have with some success taken the position that Chinese Government corporations should not be permitted to exercise regulatory powers over their private competitors in China. Efforts along these lines may affect the emerging pattern for China's economic structure and, consequently, the extent to which mutually advantageous commercial relations may be developed between the two countries; these efforts should be continued.

With their country already suffering severely from inadequacy of transportation facilities, Chinese insistence upon banning foreign shipping from inland waterways constitutes an illogical and self-imposed handicap upon the Chinese Government's efforts at economic reconstruction and our efforts to help the Chinese. We have pointed out to the Chinese Government that this restriction is not only contrary to general international practice but also against the best interest of China. We have taken the position that efficient implementation of the China Aid Program requires that foreign vessels carrying US aid

goods be permitted to discharge and load cargoes at inland ports. However, the Chinese Government has not as yet agreed to grant this permission.

Our general efforts to open, even to a limited extent, China's inland waterways to foreign shipping have been unsuccessful. It remains a task for American diplomacy to convince the Chinese Government that it can afford adequate protection to the developing Chinese merchant marine without depriving the Chinese economy at this critical time of badly needed shipping facilities which are beyond the capability of Chinese shipping interests to supply.

Consolidation of Communist control over all of China, or any of several important regions, would confront the United States with serious economic as well as political questions. In that event, we would have to decide whether our interests lie in excluding Communist China from important areas of world trade or whether more can be gained by encouraging all of China, without regard to political complexion, to participate in the international economy. The position of the United States in Japan, coupled with Japan's important pre-war reliance upon China, including Manchuria, for markets and raw materials, will give this issue more than ordinary urgency.

For reasons already given, the US has assumed an active role with respect to China. Under such circumstances, it is to be expected that we shall be widely criticized for what we do and what we do not do; inevitably there will be honest misunderstanding and deliberate misconstruction by the Chinese of our policy and motives. While widespread criticism is inescapable, it is important to the furtherance of our policy that our aims and our motives be presented and interpreted continuously through public information media to the end, ideally, that honest misunderstanding may disappear and deliberate misconstruction may not receive popular credence. This formidable task has fallen largely upon the United States Information Service. Chinese within Communist-controlled territory are being constantly subjected to a campaign of vicious anti-American propaganda. Advantage should be taken of opportunities which arise to counteract this propaganda, either through the Information Service or other channels. Furthermore, American policy toward other countries, for example Japan, must be explained and, upon occasion, defended before the Chinese people. The importance and magnitude of these tasks warrant maintenance and, where possible, expansion of Information Service activities.

C. RELATIONS WITH OTHER STATES

There are certain aspects of China's role in the United Nations and its relation with other states which have a direct bearing upon Ameri-

can interests and policy. As one of the five permanent members of the Security Council, China is nominally a great power. Despite its internal weakness and disunity, China's indirect, and at times direct, influence on international developments is sufficiently effective to require special consideration by the US. Its sophisticated and able diplomats, despite the weakness of their government, are capable of influencing international developments to an extent that can be either helpful or an obstacle to the implementation of US policy throughout the world. Though China seeks to play a conciliatory role on issues brought before the UN and its affiliated bodies, in the final analysis it tends, as a rule, to follow our lead in the Security Council and the General Assembly on important political issues. As long as the Chinese Government is dependent upon the US for economic and military aid and continues to receive that support, China is not likely to force the issues on which it does not agree with us to the point of serious embarrassment to this government. However, should the present Chinese Government be replaced by a Communist government or a Communist-dominated coalition government, the large measure of support which we now enjoy would in all probability become active opposition. A coalition government with Communist participation, should it succeed to power in China through ostensibly legal processes, would presumably be able to seat its representatives to the Security Council and the General Assembly as a matter of course.

In the Far Eastern Commission the Chinese have in general been somewhat less inclined to support the US; particularly, in considering questions affecting the future organization and level of Japan's economy and reparations the Chinese have been unrealistic and have shown little disposition to compromise. They have been either unable to realize the burden which the present Japanese economy places upon the US, or unsympathetic to our efforts to lessen that burden. In respect of the convening of a preliminary conference to draft a Japanese peace treaty, China has taken a position intermediate between the US and USSR. Efforts to convene a conference without the veto, with or without Soviet participation, have been opposed; but China has favored an eleven-power rather than a four-power conference and has suggested the adoption of the Far Eastern Commission voting procedure (four-power veto plus two-thirds majority).

Within China our policy and various misconceptions of our policy toward Japan have been the object of a widespread and persistent propaganda campaign against us. The asserted basis for these attacks has been that we are abandoning China, our war-time ally, in favor of rebuilding Japan, a common enemy, as a bastion against the USSR. This opposition stems, in part, from a genuine fear of revival of Japanese military aggression. This fear is no doubt stimulated, in

a large measure, by apprehension that Japan may recover economically and regain its prewar dominance of far eastern markets before China, crippled by internal strife, is able to take advantage of the opportunity of becoming the dominant economic power in Asia. The intensification of anti-Japanese sentiment in China, which already has led to demands for boycotting Japanese goods and limiting or preventing the export of coal and other raw materials to Japan and which plays into the hands of the Chinese Communists and USSR, needs to be carefully weighed. Efforts have been made to meet this situation by public statements of our aims and policies in Japan including denials of any intention to rebuild Japan's military power, by the citation of statistics to support these statements and by affording Chinese officials and press representatives in Japan an opportunity to confirm these statements. These efforts have to date not been altogether effective, partly because material for use in China to combat the campaign became available only after it had gained considerable momentum, partly because elements in China desiring to attack and embarrass the US for other reasons have found in our Japan policy a popular and permissible propaganda theme and partly because there is a positive will not to believe our statements. There is no completely satisfactory solution of this problem. A partial solution may be found in persistent efforts to explain to the Chinese our fundamental policy toward Japan through every available means.

The Chinese Government looks upon the USSR with fundamental distrust and ill-feeling, despite the announced desire of both countries to strengthen by means of the Sino-Soviet Treaty of August 1945⁷⁷ the friendly relations maintained during the war. This attitude derives from the conviction that the USSR is intervening in China, using as its instrument the Chinese Communist Party with which the Kuomintang has for almost two decades struggled for power, and from apprehension, based upon past and present Soviet penetration of Sinkiang Province, Outer Mongolia and Manchuria, that the USSR will continue expanding at China's expense. Although the Chinese Government has been careful not to provoke its powerful northern neighbor, China has maintained toward the USSR an attitude of wary reserve and it has been generally unnecessary for us to emphasize the dangers of Soviet expansion.

There is considerable feeling in China that the National Government in its fight against the Chinese Communists is taking up one phase of the larger fight against the USSR which the US will later

⁷⁷ Signed at Moscow, August 14, 1945: Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585, or United Nations Treaty Series, vol. 10, p. 300.

have to wage and that the US must have China as an ally in this struggle. The corollary of this, namely, the Chinese conviction that we must support the National Government at all costs, has been a serious handicap to us in our efforts to have that government initiate basic reform measures discussed earlier.

Persistent reports have been received of Soviet overtures to the National Government looking toward Soviet or joint Soviet-US mediation of the civil war. While confirmation of these reports is lacking, there are such obvious advantages to the Chinese Communists and the USSR if the former should strengthen its position through political arrangements resulting from the mediation that careful consideration should be given these reports. It would appear that should important groups in the war-weary Chinese Government view such overtures favorably and should the reported Soviet offer be made in a more formal and public manner, the US would be placed in a difficult position. It seems doubtful that the US could view favorably USSR mediation efforts or could under any circumstances agree to joint Soviet-American mediation, but on the other hand open opposition to the move would place upon the US, particularly in the eyes of the Chinese people, a large measure of onus for continuing hostilities.

893.00/11-3048 : Telegram

The Secretary of State to the Consul General at Tsingtao (Turner)

WASHINGTON, November 30, 1948—6 p. m.

173. Dept understands Chinese press reports govt forces Tsingtao attacking Communists Chiaohsien area. Request info reported operations.

MARSHALL

893.00/12-148 : Telegram

The Consul at Tsingtao (Strong) to the Secretary of State

TSINGTAO, December 1, 1948—9:30 a. m.

[Received 5:34 p. m.]

193. Re Deptel 173, November 30, 6 p. m. Following is mytel 353, November 28, noon, to Embassy, Nanking.

“Movement of local Sino Army troops out of Tsingtao perimeter in progress last 3 days expected be completed today with attainment very limited objectives:

(1) Seizing and holding peninsula, now in Communist hands, across bay from Tsingtao to west.

(2) Seizure of food and other supplies in Chiaohsien and points along west coast Kiaochow Bay.

(3) Exercising new troops operations smooth to date with few casualties. Three divisions committed. One to occupy peninsula. Second to create diversion to north toward Nantsin. Third in reserve. Following occupation peninsula regulars are to complete fortifications and then to withdraw by water to be replaced by PPC⁷⁸ troops transported by water. Supply thereafter will be by boat across bay. No intention retain possession Chiaohsien west coast of bay.

This move under direct command General Liu An-chi who probably wishes avoid gaining reputation as do-nothing. Also useful in giving employment to otherwise idle troops. Opposed only by few local Communist troops. Liu probably not in position undertake large scale activity since undesirable attract Communist attention this area and might effect entry from Communist hinterland of supplies badly needed Tsingtao."

All troops returned within perimeter by November 29 except those remaining garrison peninsula. Chiaohsien abandoned. Foraging believed to have netted little. Movement of persons abandoned and goods across lines broken off for several days.

STRONG

893.00/12-148 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 1, 1948—1 p. m.

[Received December 1—8:15 a. m.]

2585. Remytel 2449, November 17,⁷⁹ repeated Nanking 1855, Taipei 133. Local Chinese source very intimately connected Madame Wei Tao-ming⁸⁰ states Taiwan as place of refuge for Chinese untenable as it is anticipated Taiwan uprising will follow disintegration central Government.

Sent Dept 2585, pouched Nanking 1951, Taipei 138.

CABOT

893.00/12-148 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 1, 1948—6 p. m.

[Received December 2—10:32 p. m.]

397. Since situation reported last paragraph mytel 560 to Nanking,⁸¹ local Chinese bitterness toward National Government has greatly increased. Robberies and lootings of Chinese homes and shops

⁷⁸ Peace Preservation Corps.

⁷⁹ Not printed.

⁸⁰ Wife of the Governor of Taiwan.

⁸¹ Repeated to the Department as telegram No. 315, November 2, noon, p. 534.

Tientsin in past 2 weeks by disorganized, defeated Nationalist soldiers from Manchuria (20,000 now here) have added to bitterness against a regime so impotent as to allow this. Recently accelerated rise in food prices has accelerated local feeling. Shelling of city has angered local Chinese who blame Gimo. Widespread corruption and inefficiency of Nationalist civil and military officials continues to broaden and accelerate this feeling. There has been marked intensification of North-South antagonism, populace generally indicating desire to be rid of Nationalist Government officials, looked on as southern carpetbaggers.

Fu Tso-yi⁸² is still usually excepted in criticism, but feeling is strong that his, too, is a lost cause in view hordes of Communist troops now released from Manchuria and elsewhere.

Noteworthy are increasing spontaneous expressions by Chinese during last few days of resentment against American backing of regime which vast majority local Chinese believe is, and deserves to be, doomed; they feel that it is too late for American military aid to be effective and that such aid will merely prolong the agony. Average Tientsin Chinese still does not like Chinese communism but is ready to try Communist regime as only available alternative to Gimo's government; those few Chinese who consider international aspects of communism cling to hope that Communist regime may prove to be more Chinese than Communist. Many Chinese here believe there is possibility its becoming increasingly oriented toward America if and when it can, as they consider USSR cannot fill China's needs.

Sent Department 397, repeated Nanking 644, Peiping.

SMYTH

893.001 Chiang Kai-shek/12-148

The Ambassador in China (Stuart) to the Secretary of State

No. 489

NANKING, December 1, 1948.

[Received December 10.]

SIR: I have the honor to describe the behavior of President Chiang during these last tumultuous weeks. He has conducted affairs as usual. All his associates take orders from him as hitherto and he issues these expecting unquestioning obedience. He told me after the loss of Tsinan that he would act on my suggestion and have a General Staff of the best available men plan operations and, after securing his own approval, conduct them. He actually sent for General Ho Ying-ch'in⁸³ that same evening and instructed him to this effect. Yet

⁸² Commander in Chief of the North China Bandit Suppression Forces.

⁸³ Chinese Minister of National Defense.

shortly after this he went to Peiping, without even informing General Ho of his intentions, and directed single-handed the Manchuria campaign. This incident is typical. Outwardly, therefore, nothing has changed. But the attitude of almost all of those around him has been one of increasing dissatisfaction with his autocratic control and a strong desire that he retire from active direction of affairs. They have even tried to intimate this to him but, as he smilingly remarked last evening, they do not come out openly and say so.

The real interest centers in his own state of mind and the effect of this on the course of events. It is scarcely overstating it to assert that the war is being carried on by the indomitable will of one man. He himself explains his determination as a clear sense of duty. Communism is an evil thing and a menace to national independence. Therefore he must fight it to the end, regardless of all consequences. He says that he would be disloyal to his highest convictions and would be rightly dishonored in history if he acted otherwise. He derives assurance for this decision from his daily prayers. He is also a follower of Sun Yat-sen and his Christian guidance is reinforced by the teaching of the Three Principles. There is a self-assurance and a serenity in his manner, almost an exaltation of spirit, which is very baffling to visitors. Mr. Bullitt⁸⁴ after spending an evening with him alone asked me in amazement what was the explanation for this unruffled calm and the confidence that he would win despite all the hard facts of military defeats, fiscal disaster and growing unpopularity.

This fearless determination is magnificent but it is proving very disturbing to his associates and disastrous to the nation. Even military resistance would perhaps have been more effective recently if he had entrusted this to the Ministry of National Defense. He said last evening that he would make a stand at the Huai River as long as possible, then at Nanking and after that carry on from Canton or elsewhere until his death.

He has been counting on immediate American military aid and the imminence of the Third World War when China would join with her anti-Soviet allies. I had hoped that President Truman's reply⁸⁵ to his appeal would finally disabuse his mind of the former hope. But apparently he still clings to this. When I said that I had been tempted to advise Madame Chiang against making her trip and would have done so had she consulted me he said he also wished she had and that he had been quite dubious about it. But my latest effort to explain that any aid of the kind he hopes for and in time to be

⁸⁴ William C. Bullitt, Consultant to the Congressional Joint Committee on Foreign Economic Cooperation, left for China November 9, and returned to Washington December 20.

⁸⁵ See telegram No. 1608, November 12, 7 p. m., to the Ambassador in China, vol. VIII, "U.S. Military Assistance to China" (Ch. II).

decisive is extremely unlikely will probably be no more successful than my previous ones.

Whether when the Communists actually break through at the Huai River he will still be obdurate, or whether his associates will at last have the courage to defy him, may have become known before this reaches you. In any case he has lost his leadership and will depend on their loyalty based on past association rather than on their present agreement with his views. Quite possible there will then be a truce and a resumption of peace negotiations. There is an unconfirmed report that the Soviet Ambassador⁸⁶ will then renew his offer to mediate on the basis of the Kmt control of the area south of the Yangtze, the Chinese Communists north of it, and the recognition by the United States of special Russian rights in Manchuria.

Respectfully yours,

J. LEIGHTON STUART

893.00/12-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 6, 1948.

[Received December 6—4:06 a. m.]

2426. Since November 7, at rough estimates, something over 300,000 residents have already departed Nanking because of Communist threat to city. Approximately 200,000 others now thought waiting depart. Evacuees consist mostly of dependents higher officials, including military, and wealthy merchants and dependents. Poorer classes in south city, largely natives Nanking, exhibit strong tendency remain.

Shanghai, Hangchow, and Hankow are immediate objectives, whence refugees proceed Nanchang, Changsha, Canton, Taiwan, or west China, but especially Canton. Many evacuees heading for homes of relatives in country and inconspicuous small towns.

Uncertainties coal supply have forced shipping companies into irregular services from Nanking. China Merchants [Co.] alone states its reservations list totals over 5,000. Nanking-Shanghai railroad—only now operating from Nanking—most congested, and luggage for shipment accumulating far in excess of handling facilities. Several commercial truck companies offer facilities to Shanghai, Hangchow, Nanchang, Changsha, with rates to Hangchow gold yuan 400 passenger and gold yuan 10,000 whole truck or about US \$10 and 250 respectively at black market Nanking rates.

Air facilities Nanking-Shanghai irregular, when planes come from Shanghai tickets sold in morning and planes return in afternoon.

⁸⁶ N. V. Roschin.

Reservations for Hankow or Chungking said already booked up to next April and no further reservations made.

Rumor is now current that commencing November [December?] 10, Government will commandeer all transport facilities from Nanking to evacuate Government personnel.

STUART

893.00/12-648

Memorandum of Conversation, by the Director of the Office of Far Eastern Affairs (Butterworth)

[WASHINGTON,] December 6, 1948.

Participants: M. Jean Daridan, Counselor, French Embassy
W. Walton Butterworth, Director for Far Eastern Affairs
Richard D. Weigle, Executive Officer, FE

M. Daridan called at his request to discuss a number of matters prior to his departure tomorrow for a month's leave in Paris. In the course of the conversation he asked whether any important developments might be expected from the current visit of Madame Chiang Kai-shek. In reply I told him that no change in our current policy was anticipated.

The conversation then turned to the disastrous military situation facing the National Government in China. M. Daridan spoke with visible appreciation of the excellent cooperation existing between Ambassador Stuart and Jacques Meyrier, French Ambassador to the Chinese Government at Nanking. He then went on to express the strong feeling of his Government that it would be utter folly for the various Embassies to attempt to follow the Chiang Government in its probable flight to Canton or elsewhere. Should such a trek be undertaken the diplomats might well find themselves without a government with which to deal.

I indicated that the report we had received of the last meeting that the French Ambassador as Dean of the Diplomatic Corps had called stated that the British Ambassador and the Commonwealth countries' representatives in Nanking and certain others as well intended to leave their Chiefs of Mission in Nanking and send the Minister-Counselors with the government if it moves.

For M. Daridan's confidential information I relayed the following advices from this Government's military representatives in China:

1) From the fall of Tsinan through the Manchurian debacle the National Government had lost thirty-three divisions with equipment, about one-third of it American;

2) No battles in the current fighting have been lost for lack of equipment, matériel or ammunition, but rather for reasons of poor leadership and low morale; and

3) The elimination of the Nationalist Armies principally fighting north and northwest of Nanking would leave the balance of China south of the Yangtze River without appreciable trained defense forces.

M. Daridan expressed his thanks for and general agreement with these advices. He deprecated the stubbornness of the Generalissimo while, at the same time, admitting his past greatness. He spoke of the hopelessness of attempting intervention of any sort, even limited international police action at Shanghai, inasmuch as the enmity and opprobrium of the masses of the Chinese people would inevitably be incurred.

I alluded to a CBS radio report that the Communists had asked Shanghai officials, police and businessmen to remain and carry on as usual, stating that this was either propaganda to soften the city for take-over or that the Communists really desired to have as orderly and rapid a transfer of authority as possible and not to by-pass it should Nanking fall. M. Daridan agreed that the Communists face a tremendous task in organizing and administering the vast territories which are falling under their control and that it will be exceedingly interesting to observe their approach to the problem.

893.00B/12-648: Airgram

The Consul General at Hong Kong (Hopper) to the Secretary of State

HONG KONG, December 6, 1948.

[Received December 17—2:02 p. m.]

A-138. Following is summary of information and views recently obtained from local sources as designated.

Several sources (Chow Ching-wen of CDL,⁸⁷ C. Y. Li of KmtRC,⁸⁸ Li Meng of *Hsin Shen Wan Pao*) state that the CCP⁸⁹ has decided to enlarge the People's Consultative Conference to include "elected" representatives from throughout CCP-controlled areas. Instead of a relatively small body, variously estimated to number from 70 to 200 members, the PCC will include some 1000-odd delegates. The Communists allegedly intend to stage a great show of "democracy". It is considered significant that many dissidents here, from Marshal Li Chi-shen⁹⁰ down, insist that all policy decisions affecting the formation of the provisional coalition government, the election of delegates to a

⁸⁷ China Democratic League.

⁸⁸ Kuomintang Revolutionary Committee.

⁸⁹ Chinese Communist Party.

⁹⁰ Chairman of the Kuomintang Revolutionary Committee.

constitutional convention, and so forth, are being decided in the present pre-PCC meetings in Manchuria.

It is now apparent that another group of dissidents has left for the north; among at least 10 prominent leaders were Kuo Mo-jo, Ma Hsu-lun, Hou Wai-lu, and Mrs. Wang K'un-lun. The senior leaders here of the National Salvation Association and of the Peasants and Workers Democratic Party also were included. It is believed that the party left Hong Kong about November 23, 1948; information on this movement was received from Chow Ching-wen and Ma Man-fei.

A factor influencing the CCP selection of personnel in this group of Hong Kong dissidents undoubtedly is the desire of the Communists to window-dress the pre-PCC meetings with representatives of various groups. Chow has learned that Ts'ai T'ing-k'ai, for instance, nominally represents only the Kmt Democracy Promotion Society in these meetings, while the KmtRC is represented by Mrs. Feng Yu-hsiang and Chu Hsueh-fan. Shen Chun-ju and Chang Po-chun represent the Democratic League instead of their own groups, and subordinates have therefore been despatched to the north to sit for the Salvationists and the Third Party.

Recently C. Y. Li asserted that Marshal Li, as president of the coalition government, will have control of foreign relations. He said that agreement has been reached with the CCP for the Marshal to select his own Foreign Minister; this indicates that the KmtRC apparently expects little else in the line of ministerial appointments. Chow Ching-wen believes that the pre-PCC meetings will designate either Chou En-lai ⁹¹ or Lo Lung-chi ⁹² as Foreign Minister; although he believes Chou's qualifications would render it exceedingly difficult for the CCP to permit the selection of another, he shares the opinion of other observers that the CCP may prefer to let a non-Communist handle critically important relations with the western democracies.

Percy Chen, ⁹³ without stating that he has been invited to attend the pre-PCC meetings, declared that he refused to go. He visualizes the fall of Chiang and the formation of a Southwest Political Council by "we liberals", including Yu Han-mou ⁹⁴ ("a real patriot with good troops"), W. W. Yen, ⁹⁵ Pai Chung-hsi, ⁹⁶ Li Tsung-jen, ⁹⁷ and even Sun Fo, provided he abandons the Nanking regime shortly. Chen believes that the CCP forces will stop at Nanking, and that southern

⁹¹ Member of the Central Committee and the Politburo of the Chinese Communist Party.

⁹² Spokesman of the Democratic League.

⁹³ Co-Chairman of the Liberal Democratic Action Committee.

⁹⁴ Commander in Chief of the Chinese Army.

⁹⁵ State Councilor and former Premier.

⁹⁶ Commander in Chief of the Central China Bandit Suppression Forces.

⁹⁷ Vice President of the Republic of China.

leaders will be able to weld a powerful army of troops imbued with high morale because they will be fighting, not for Chiang, but for their homes. American money ("let's say 400 million, in round figures") will provide for good treatment of the soldiers and permit economic stabilization of the southwest; free enterprise will flourish, and the Government will be forbidden to enter business in any way. Percy Chen looks to the middle class for the salvation of China; he sees no need for agrarian reform, except to reduce taxation and conscription. He said that even if his plan falls, he will have the satisfaction of knowing that he helped finish Chiang.

HOPPER

893.00/12-648 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 6, 1948.

[Received December 21—8:53 a. m.]

A-293. Comparison of Mao Tse-tung's⁹⁸ article commemorating October revolution (which was commented on in Embtel 2273, Nov. 21) with his previous writings, brings to light still further evidence of parallelism of CCP foreign policy to that of Moscow. Evidence is so overwhelming that we can hardly see how Kremlin planners could wish for any improvement in professed CCP foreign policy.

Oct. 15 issue of Dept's publication *Monthly Review of Soviet Politics* pointed out that "after more than 2 months of editorial silence regarding its split with Tito,"⁹⁹ USSR in Sept. launched intensive propaganda campaign based on theme that first loyalty of all Communists is to USSR". *Pravda* stated that only good Communist is one who "understands leading role of Soviet Union in world anti-imperialist camp, who unconditionally supports and defends USSR and carries out firm and consistent policy of cooperation and friendship with first country of victorious socialism in world". *New Time* epitomized basic issue by title of its recent editorial "Are You For or Against the Soviet Union".

We believe greatest significance of Mao's Oct. Rev. article is that it deftly lifted CCP political theory onto new level necessitated by Soviet political and propaganda move referred to in preceding paragraph. Taking as baseline Mao's article of Dec. 25, 1947,¹ which was entitled "Present Situation and Our Tasks" and which was his

⁹⁸ Chairman of the Central Committee of the Chinese Communist Party.

⁹⁹ Marshal Josip Broz Tito, Yugoslav Premier, whose defection from the Cominform took place on June 28.

¹ Not printed; for summaries of article, see telegrams No. 26, 8 p. m., January 6, from the Ambassador in the Soviet Union, p. 9; and No. 65, January 9, 6 p. m., from the Ambassador in China, p. 28.

last previous pronouncement on international affairs, we note these three shifts:

(1) Dec. 25 article contained not the slightest hint that time has come for neutrals or "third forces" to get off the fence and to choose between world Capitalist and Communist camps. Its only thought in this regard was solely in reference to Chinese domestic affairs and stated "If in 1946 there was still a section of people among intelligentsia of upper *bourgeoisie* and middle *bourgeoisie* under Chiang Kai-shek's rule who still cherished ideas of a so-called Third Road, these ideas have now become bankrupt". In contrast, article Nov. 7, 1948 specifically brought Soviet Union into picture and called upon people everywhere to make their choice between global counter-revolutionary front of "Imperialists" and People's Revolutionary front against Imperialism. Liu Shao-chi's article entitled "Nationalism and Internationalism", which was also commented on in Embtel 2273, developed this thought still further.

(2) In referring to struggle against "American reaction and Imperialism," Dec. 25 article made only light mention of "anti-imperialist camp and democratic forces headed by Soviet Union". In contrast, Nov. 7 article manifested much greater enthusiasm for primacy of Soviet Union in international communism by claiming that "all revolutionary forces within every country must unite with each other, revolutionary forces of all countries must unite with each other. They must organize anti-imperialist united front headed by Soviet Union and pursue a correct policy".

(3) Dec. 25 article gave as "The most basic political platform of CCP" that of "To organize a national united front to strike down the dictatorial govt. of Chiang Kai-shek and establish a democratic coalition govt". In contrast, Nov. 7 article repeated same two points plus one new one. The new point, which was given first priority, was to "unite all revolutionary forces within whole country to drive out aggressive forces of American imperialism".

We believe these shifts contain such complete evidence regarding coincidence of CCP foreign policy with that of USSR as to permit no further doubt on this score.

STUART

893.00/12-148 : Telegram

*The Acting Secretary of State to the Consul General at Tientsin
(Smyth)*

WASHINGTON, December 7, 1948—noon.

253. Re your 397 Dec 1. Request verification Reuters report Shanghai, Dec 1, robberies looting Nationalist soldiers Tientsin included action against foreign-owned enterprises and whether any U. S. firms affected.

LOVETT

S40.48 Refugees/12-748 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, December 7, 1948—4 p. m.
[Received December 7—5:11 a. m.]

91. Estimate about 40,000 refugees arrived here to date all classes carrying large amounts US [currency?] and gold bars. Key money rates soaring Taipei; 3-room Jap house US 10,000.

Far as known no very big names except Chen Kuo-fu² but mostly families [with] connections Taiwan officials, plus merchants, professional and secondary mainland officials families. Some advance CAF³ arrivals.

Sent Nanking 179, repeated Department 91.

KRENTZ

893.002/12-848

Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth) to the Acting Secretary of State

[WASHINGTON,] December 8, 1948.

The recent appointment of Sun Fo as President of the Executive Yuan (or "Premier", as the post is popularly termed) will not, it is believed, have the effect of strengthening the flagging public confidence in the National Government. Nor is it likely to result in the adoption of overdue reforms or the curing of any of the Government's chronic ills. Despite the magic of his heritage and the opinion of foreign observers during the war that he was "growing in stature" and might eventually provide the needed leadership of the liberal third party groups, Sun Fo has, according to the Embassy, lost face with his countrymen and been discredited with the Chinese Government because of his "foolish behavior" during the past year . . .

While in Formosa in March 1948, Sun caused the U. S. Government considerable embarrassment by stating to the press that false stories regarding the situation in Formosa had been spread through the reports of the USIS officer stationed in Taiwan, whereas in reality things were going smoothly. Sun indicated that the American officer had been deluded by Communist propaganda and added that "the Chinese would not tolerate any foreigners coming in to stir up unrest".

In the field of foreign policy, Sun has been inconsistent and vacil-

² Member of the Kuomintang Central Executive Committee.

³ Chinese Air Force.

lating. In the period prior to the war Sun was the foremost spokesman within the Chinese Government for the pro-Russian group which sympathies he continued during the first years of the war. In January 1942 he expressed doubt as to the wisdom of China's continuing the fight against Japan if the U. S. and England were to follow a policy of "Hitler First". But in June 1947 he blamed the USSR as responsible for China's civil war and stated that the Soviets were actively intervening on behalf of the Communists and had openly violated the Sino-Soviet Treaty. In September 1947, however, he implied that, if the Wedemeyer report⁴ did not call for increased aid for China, it might be more advantageous for China to side with Russia. Two months later Sun described the proposed \$300 million aid to China as "drops on a hot stone" and added that he had "always had a hidden suspicion that American friendship was not dependable". Since his appointment as Premier, Sun has once again assumed the pro-American façade proposing (1) that U. S. ships be permitted to navigate on China's inland waters, (2) that JUSMAG's recommendations be more respected by the Chinese Government and its powers increased, and (3) that foreign business interests be given a "new deal" in China. Sun also stated that he saw no objection to U. S. warships operating on the Yangtze as a "patrol group".

Perhaps the principal significance of the Sun Fo appointment lies in the circumstance that he was probably the only person who (a) would accept the job and (b) would be acceptable to the Legislative Yuan.

893.00/12-848 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 8, 1948—3 p. m.

[Received December 9.]

417. Re Deptel 253, December 7. Reuters report which we have just seen in Shanghai paper under Tientsin dateline December 2 is exaggerated. Reuters correspondent here inclined to sensational. Until few days ago, presence of thousands of defeated disorganized troops from Manchuria has been source of annoyance to foreigners and more serious trouble to Chinese. Hungry soldiers, usually singly or in small groups of 2, 4 or 5 men, went along downtown streets entering stores, banks and other establishments, Chinese and foreign, requesting food or money to buy food. [Approximately 15

⁴ Lt. Gen. Albert C. Wedemeyer, President Truman's Personal Representative on a special mission in China, July-August 1947; for his report of September 19, 1947, on China, see *United States Relations With China*, pp. 764-814.

characters garbled], there were no cases of violence against Americans; one British hotel had trouble with small groups demanding food, and one Indian-owned hotel had food taken away and minor damage caused to restaurant. Chinese, however, with no one to stand up for them have had much more difficult time with hungry troops, and number of lootings and robberies have occurred as reported mytel 397, December 1, Department.

Chinese authorities at outset caught off balance had made no provision to meet problem. Chinese press denounced authorities for permitting this state of affairs. Mayor⁵ took up matter with Fu Tso-yi who reportedly ordered garrison command take action. Commencing 5 days ago situation greatly improved; several thousand soldiers, mostly southerners, have been shipped south and most of remainder housed in godowns including some British and other foreign pending shipments south; most important they are being fed. No American property occupied by defeated troops.

Only American property taken under martial law are: [Deteriorating] castle occupied by so far well-behaved troops; one empty Assemblies of God Mission House, American representative having evacuated; and one American-owned dwelling with Chinese tenant.

At present authorities seem to have problem of defeated troops under control. However, there is considerable apprehension among Chinese and foreign residents here that, should Government authority collapse, disorganized soldiery and other unruly groups will cause very serious disturbances.

Sent Department 417; repeated Nanking 662, Shanghai 612, Peiping and Tsingtao.

SMYTH

893.00/12-848: Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 8, 1948.

[Received January 3, 1949—3:57 p. m.]

A-297. One ironic little sidelight has developed during the last few weeks in China concerning politics of some Chinese intellectuals. As the Department will recall, a large majority of Chinese intellectuals, particularly students, has in its strong and vocal opposition of the National Government, moved steadily leftward in its political views. In many cases this process has gone so far that the individuals concerned have become very close to being Communists or have actually joined the Communists. This majority group has repeatedly

⁵ Lt. Gen. Tu Chieh-shih.

professed its desire for Communist victory and its willingness to live under a Communist regime.

During recent months as the Communist tide has continued to swell the flood of refugee intellectuals, most of whom are students, has grown into a major problem for the National Government. The latest development in this direction is taking place in Nanking. With the immediate threat to the city most universities have largely ceased to function because students and teachers are fleeing the city in what could only be called a panic. It would seem, therefore, that these adventurous intellectuals, when confronted with the immediate prospect of living under a Communist regime, may decide that perhaps the National Government is not the worst possible alternative after all.

The President of National Cheng Chi University, formerly the Central Political Institute, in a recent conversation referred to this interesting change. He said he believed that as a result of this change in attitude most of the Chinese intellectuals in their contriteness could be rallied to effective and intelligent support of any non-Communist government in China which showed any chance of effectiveness and which had been purged of the more objectionable elements in the present Government which most intellectuals find so difficult to accept.

STUART

893.00/12-948 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*⁶

NANKING, December 9, 1948—noon.

[Received December 9—7:29 a. m.]

2475. ReEmbtel 2273, to Department; 85 to Moscow, November 21, 2 p. m. Vice Minister Foreign Affairs has informed Embassy officer that Foreign Office is being compelled much against its will to present case of China before UN.⁷ This pressure is coming from Legislative Yuan in which majority sentiment favors action and which is highly critical of Foreign Office policy of appeasing Soviets at this time. Foreign Office reluctance arises from what it believes would be serious loss of face to China and fear of consequences arising from official and international injection of Soviets into Chinese Communist problem. Vice Minister says it is highly possible Legislative Yuan will attach new policy toward Soviets as a condition to vote of confidence in any new Executive Yuan.

Sent Department, repeated Moscow 87.

STUART

⁶ Repeated to the Ambassador in France as telegram No. GADEL 737, December 10.

⁷ United Nations.

893.00/12-948 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 9, 1948.

[Received December 21—8:53 a. m.]

A-299. Since forwarding our airgram 293 of Dec. 6 in which we observed how deftly CCP foreign policy has been shifted to the new level required by recent changes in Soviet foreign policy by Mao Tse-tung's article of Nov. 7⁸ commemorating the October Revolution and Liu Shao-chi's article of Nov. 9 and 10,⁹ entitled "Nationalism and Internationalism", we have noticed certain evidence against the existence of an ideological division in the CCP into a Manchurian clique and a North China clique.

Mao Tse-tung is doubtless the leader of the so-called nationalistic clique, if one exists, in North China. Liu Shao-chi, who is Deputy Chairman of the CCP Politburo and a veteran of the Long March, is presumably very close in his political thinking to Mao Tse-tung. Yet it is precisely these two ranking CCP leaders who wrote the two important articles bringing CCP foreign policy up to date and in line with Soviet foreign policy.

Our only explanations in this respect are that (1) a schism in the CCP along the line indicated above may be wishful thinking on part of non-Communist elements or (2) by writing these articles Mao Tse-tung and Liu Shao-chi performed an act of recantation in the face of some unknown criticism from Moscow. In any event it appears that the so-called nationalistic or North China clique of the CCP, if it ever had different views worthy of distinguishing it as a "clique", has completely sided with Moscow as regards foreign policy.

STUART

893.002/12-1048 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 10, 1948.

[Received December 12—11:07 p. m.]

2742. *China Press* reports that General Chang Chih-chung promised join Sun Fo's Cabinet. Hu Shih reported new Foreign Minister choice, and Liu Wei-chih¹⁰ also slated for new position.

Sent Nanking 2056, repeated to Department 2742.

CABOT

⁸ See telegram No. 521, November 7, from the Consul General at Mukden, p. 546.

⁹ See telegram No. 2273, November 21, 2 p. m., from the Ambassador in China, p. 593.

¹⁰ Chairman of the Overseas Chinese Affairs Commission.

893.00/12-1148: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 11, 1948—1 p. m.

[Received December 11—8:54 a. m.]

2502. On December 8, Foreign Minister Wang Shih-chieh gave following off-record interview to Nanking correspondent *New York Times* which was reported without attribution to source.

Foreign Minister said he understands that US does not want become involved with Soviets or Chinese Communists on Chinese soil at present time, but that US can do certain things without becoming involved, such as continuing supply light arms, training program and reorganization Chinese logistics system. Stated if American Government will not now make commitment support Nationalists, Nationalists can not submit plan for aid. Question of aid requires on spot investigation high ranking American officer to determine aid feasible. Unless such man is sent China's own plan will not get results. Mere fact such man sent would raise Government's morale and would not involve US in commitments.

In response to query on Government plans evacuate Nanking, Foreign Minister said Government has reached no firm decision. One group favors making plans for orderly evacuation but equally influential group believes that if Nanking and Shanghai are lost there is no hope for Nationalists' cause. One of main tasks new Cabinet will be reconciliation these conflicting views. Sun Fo attempting get representation all Kmt factions in his Government. Foreign Minister will participate if Sun's policies acceptable to him. Interview was suggested by Foreign Minister and held at his invitation. Correspondent expressed belief Foreign Minister "levelling" with him.

STUART

893.00/12-1248: Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 12, 1948—11 a. m.

[Received December 12—2:57 a. m.]

430. Remytel 429, December 11,¹¹ repeated Nanking as 670. KMA reports all Government troops being pulled out of Tangshan and mines area, evacuation to be completed by noon today. No damage being done to mines. All available rolling stock sent Tangshan to remove troops comprising 87th Army. Youth Corps (and few regiments rail police) total about 25,000. Withdrawal Government troops not being molested by Communists so far as known now. KMA be-

¹¹ Not printed.

lieves evacuation mines area due either Fu's desire shorten lines or related to some unknown political move. Unconfirmed report Youth Corps (Generalissimo's own and useless) will be sent south by boat from Tangku.

Local Chinese feeling that some peace settlement in North China imminent indicated by sudden rise local industrial shares yesterday.

Repeated Nanking 671, Shanghai 618, and Tsingtao.

SMYTH

893.00/12-1348 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 13, 1948—2 p. m.

[Received December 13—2:49 a. m.]

431. Remytel 430, December 12. Government evacuation Tangshan not completed until late yesterday but not hindered by Communists who waited until all left before entering city 9 p. m. Limit Government control now Lutai. No ships available Tangku for south shipment Youth Corps.

Thirty foreign KMA staff remained Tangshan, including 1 American, 8 Belgians, 1 Swiss, balance British. American is Elmira Mad-den Williams, wife of William E. Williams of KMA staff; her home address: Care Joseph Yan, Seattle. KMA radio Tangshan broadcast message this morning: "All staff safe, everything in good order."

KMA reports coal Tientsin and Tangku might be sufficient 2½ months essential services if carefully handled.

Sent Department 431; repeated Nanking 673, Shanghai 619, Peiping and Tsingtao.

SMYTH

893.00/12-1348 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 13, 1948—3 p. m.

[Received December 14—3:51 a. m.]

531. Military situation Kalgan reported deteriorated and reliable information indicates Communists immediately west Nankow Pass. Nationalists' position vicinity Peiping substantially worse than indicated in press; Shunyi fallen on North, Tungchow weak on east and Communists reported yesterday to have occupied Lianghsiang on railway south Peiping. Appears Fu Tso-yi has suffered important losses in fighting between Kalgan and Nankow; his armies have not yet suffered serious losses but defensive strategy [which] caused him refrain from attacking Communists immediately after their incur-

sion into North Hopeh lost him all chance creating even temporary stable military position wide corridors south Great Wall. Present strategy made comprehensible only by reference (1) constricted position in which he now finds himself; (2) deteriorating troop morale and/or (3) political considerations. Political situation dictated Consulate General telegrams. Current rumors negotiations increasing.

Normal expectation would be that (1) political overturn here would follow only after move same character Nanking; (2) Communists' drive against Peiping could be expected be preceded by cutting Peiping and Tientsin railway as position now is such that Peiping must now be considered as entering period instability and uncertainty with sudden changes possible.

Sent Department 531, repeated AmEmbassy Nanking 784, Am-Consul Tientsin.

CLUBB

893.00/12-1348 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 13, 1948—5 p. m.
[Received December 14—2:27 a. m.]

533. Remytel 531, December 13. Military situation west Hopeh deteriorating rapidly with Nankow reported lost, CAF departed west field with rifle and machine gun fire audible west Peiping suburbs. Tungchow American school evacuated great part Peiping today.

Chin Feng-chuan (director education and cultural committee Fu's headquarters) is quoted as saying Peiping will be defended.

Nationalist troops which had been stationed Nankow arriving west suburbs today.

Sent Dept, repeated Nanking 787, Tientsin.

CLUBB

893.00/12-1348 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 13, 1948—10 p. m.
[Received December 12—10:59 p. m.]

2740. CAT¹² pilot arriving Shanghai 4 a. m. December 13 states all airfields Peiping closed last night. Traffic on Tientsin extremely heavy. CAF reported evacuating Peiping.

Sent Department 2740, repeated Nanking 2055, Peiping 268.

CABOT

¹² Chinese Air Transport.

893.00/12-1448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 14, 1948—4 p. m.

[Received December 15—2:57 p. m.]

2516. From all indications, it appears that present battle Pengpu-Hsuchou area is entering final stage with early Communist victory assured. Communists have virtually eliminated two Government Army groups southwest Hsuchou and can move overwhelming forces against remaining Government Armies vicinity Pengpu and Pukow, thus clearing north bank Yangtze from Anhui border to sea, except for scattered Nat. groups. Usually reliable sources report that Communist forces include Nationalist units captured at Tsinan and Tschow, as well as elements of former Nationalist Seventh Army group under Huang Po-tao, which was eliminated by Communists in early stages of campaign.

Government armies Nanking-Shanghai area have recently been re-enforced by at least two divisions from Hankow, but great part garrison troops this area are of inferior quality and total strength greatly inferior to forces Communists can muster. In view Communists numerical preponderance and status their equipment, they have capability cross Yangtze in force with little prior preparation as soon as clean-up north bank completed. Occupation Nanking-Shanghai area could follow shortly thereafter, since Nationalists' defensive capabilities relatively slight.

As far as we are aware, Government has no firm plans evacuate capital (Embtel 2502).^{12a} Most likely prospect is that Government will attempt move Canton in disorderly flight when Communists cross river, and Generalissimo, in capacity as commander in chief armed forces, will move Nanchang, where preparations have been made establish field headquarters Nationalist Army. Diplomatic corps will probably be invited accompany Government to Canton.

Takeover Nanking-Shanghai area will probably be accomplished by Communist military and local Communist underground, assisted by certain official and non-official local groups who plan remain through occupation. In Shanghai efforts apparently being made by elements Chinese community and foreign businessmen insure takeover occurs on orderly basis, with minimum destruction property and loss of life. Greatest potential danger foreign and Chinese lives and property lies in occurrence Nationalist-Communist hostilities in metropolitan areas, in riotous conduct retreating Nationalist garrisons and in possibility Government will try sabotage installations and destroy

^{12a} December 11, 1 p. m., p. 638.

property on abandoning cities, with Communists' underground attempting prevent such sabotage and destruction. Prevention or reduction in seriousness such conditions might conceivably be achieved if local groups can influence Nationalist Military conduct no hostilities within cities and withdraw forces in orderly manner, and if cooperation exists between these local groups and Communist underground. Cooperation will, in turn, depend on ability groups or individuals in community produce necessary leadership "organize" this situation. As Department is aware, (Shanghai Contel 2727, repeated Nanking 2946 ¹³), beginning being made along these lines in Shanghai area. So far as is known, there is no similar activity Nanking.

Prospects of Government, even if able move Canton, are not bright. Since northern expedition Kmt has been identified with Nanking and has generally been known throughout country as sponsor of "Nanking Government", its flight from capital would be generally accepted as loss of its mandate. From all indications, it will be most unwelcome at whatever site it chooses as home. Consulate General [at] Taipei has reported opposition Taiwanese to movement government personnel, organs and mainland refugees, and it appears likely that Taiwanese may react this situation by rebellion. Also transplanted Government would be equally unpopular Canton. Recently received reports from controlled American source that Chang Fa-kwei, now in Canton, is in contact with Hong Kong dissidents and Communists for purpose planning armed opposition to Government when it reaches Kwangtung. Source states dissidents and Communists now control much of province and have capability cut and hold Canton-Hankow, as have around Kukong area, thus isolating Canton from north. Given these conditions, and fact that Government would move without much of its essential administrative apparatus, it is difficult foresee just how, in its new location, it would retain any attributes stability or be able effect control far beyond Canton city limits if, in fact, it could maintain authority even in Canton itself. We might find ourselves confronted with the problem of recognizing new Government that area willing to carry on resistance to Communists rather than continuing recognition of refugee Kmt Government.

In present situation, Communist military timetable apparently well ahead their political plans due rapid, unforeseen national military disintegration. Representatives Hong Kong dissident groups, currently conferring with Communists in north China or Manchuria, are reportedly laying groundwork for PCC be convened Peiping latter part January. This conference to set up temporary coalition government, which will in turn call national assembly to draft and adopt constitution to serve as basis new government in final form. It is

¹³ December 10, 2 p. m., vol. VIII, "Evacuation of Americans from China" (Ch. II).

unlikely that this process will be completed by mid-summer at earliest. In interim period, prior to formation temporary coalition, such government as exists will probably consist of Communist military governments in some areas occupied by Communist armies, of Communist governments in areas which have been under Communist control for considerable periods of time, or of provincial and local governments acceptable to Communists in sense that they will not be considered potentially dangerous centers anti-Communist revolt.

Governments in latter category will presumably be those provincial administrations taking autonomous position when present Government leaves Nanking, and either continuing autonomous stand or adhering KmtRC or similar leadership. Strength of this bloc, which will be basic anti-Communist grouping should it enter temporary coalition and subsequent new government, will depend on extent of Communist military penetration south of Yangtze and on ability KmtRC or similar leadership to organize elements of group effectively. Any very significant Nationalist military resistance south of Yangtze which cannot be eliminated by provincial governments will probably result in further Communist military penetration and in consequent extending of Communist political control at expense non-Communist elements.

The above picture would be considerably changed were the Generalissimo to abandon or lose control of Kmt. In such eventuality, there would be some chance that Communist occupation might stop at north bank Yangtze and strong possibility that it would not extend further south than Shanghai-Nanking area. However, it presently appears likely that Generalissimo will attempt resistance longest possible. Under these conditions, considerable expansion Communist military control south China must be anticipated, with consequent reduction strength and bargaining power of non-Communist bloc.

STUART

893.00/12-1448 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 14, 1948—6 p. m.
[Received December 15—12:41 a. m.]

539. Director Chin Feng-chuan [of] North Chinese Bandit Suppression Headquarters (see telegram 533, December 13) told me that Communists in east Hopei number about 250,000 troops plus 2 columns commanded by Li Yun-chang. These exclusive [of] local forces Nieh Jung-chen,¹⁴ Chin reported Lianghsiang and Fangshan

¹⁴ Communist commander of the North China military area.

southwest Tungehow, east Chingho and Shaho northwest still held, Peiping safe for present. He confirmed intentions defend Peiping but present problems were food supply and manpower.

Pessimistic view expressed regarding fighting Pengpu front.

Sent Department, repeated Nanking 796, Tientsin.

CLUBB

701.6193/12-1448 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 14, 1948.

[Received January 3, 1949—3:57 p. m.]

A-304. Re Department's A-234, November 19, 1948. No particular additional information has come to the attention of the Embassy concerning recent activities of Soviet Ambassador Roschin.

Although Roschin has been seeing a good deal of the Foreign Office officials in recent months, there is no indication that he has discussed anything in particular. Those who see him profess to considerable boredom and annoyance with the endless repetition in which he indulges over Sino-Soviet relations. The burden of his argument appears to be that China and USSR should cooperate more fully; that it is only the Chinese attitude which is blocking this cooperation; that the Soviet Union feels itself bound by the Sino-Soviet Treaty of 1945 and therefore has not extended any assistance to the Chinese Communists; that charges of such assistance are pure American fabrication and that the Soviets desire only the welfare and happiness of the Chinese people within legal and constitutional methods. Roschin apparently delivers himself of these happy thoughts with wide-eyed wonder that anyone could possibly question the authenticity of Soviet good intentions. No small part of the Foreign Office annoyance arises from the familiarity of this line with which it became all too well acquainted at the hands of Japan. What bothers the Foreign Office is that this argument simply through repetition will persuade influential persons in the Government who are not well acquainted with foreign affairs. If Roschin has discussed any specific proposal such as coalition government and Soviet mediation, the Foreign Office is not admitting it.

Should further information develop it will be promptly reported.

STUART

893.00/12-1548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 15, 1948—noon.

[Received 10:39 p. m.]

2520. We have been puzzled by movements of Fu Tso-yi and conflicting rumors re his campaign plans and ultimate intentions. Earlier reports and conversations with him had indicated that he would always keep back door into Suiyuan open in order supply Tientsin-Peiping corridor with food and provide escape for himself and men back into his own western provinces should pressure from north become unbearable. Recently his movements and troops concentrations have been eastward and movement of families and effects his officers and men westward to Tientsin have been cause of considerable speculation. This and other indications made it appear that he was digging in for serious defense Peiping-Tientsin area considering access to sea, with its implications of US military aid, as more important than his corridor to west China or that he was confident of making deal with Communists for that area in extremity.

Philip Fugh¹⁵ was recently in Peiping on personal business and General Fu came to see him. Their conversation throws considerable light on Fu's thinking and probable plans if worst happens. General Fu told Fugh he would be loyal until after fall of Nanking but could not if rest of country succumbed. He continued that thus far he had had no negotiations with Lin Piao¹⁶ but he would have to decide soon whether or not to allow him to move south and reinforce Chen Yi and Liu Po-cheng;¹⁷ that he could tacitly permit Lin Piao to pass through his territory somewhere farther west or that he might be forced sacrifice Tientsin including Kailan mine area if Lin Piao chose concentrate his troops in drive [to] coast. Fu explained his present withdrawals from most posts and concentration in smaller area as partly strategic and partly political, latter in order hold solid until American policy and National Government issues could be decided. If National Government disintegrated, General continued, he could form alliance with "five Ma"¹⁸ and Pai Chung-hsi to continue resistance. However, it would be useless for him to struggle on unaided. He is convinced Communist policy is uncompromising and aims at world revolution. Fugh reported General Fu was obviously

¹⁵ Personal secretary to Ambassador Stuart.

¹⁶ Commander in Chief of Chinese Communist armies in Manchuria.

¹⁷ Commanders of Chinese Communist armies in North and Central China, respectively.

¹⁸ Ma Hung-kuei, Governor of Ningsia; Ma Pu-fang, Governor of Tsinghai; Ma Chang-hsiang, leader of Tsinghai Fifth Cavalry Army; Ma Hung-pin, military commander, Tsinghai; Ma Pu-ching, Deputy Commander in Chief, Fortieth Group Army.

perplexed and wanted guidance. The former replied he was not competent pass on military strategy but urged Fu to not make any concessions at least until fate of Central Government became clear.

Our source is firmly convinced General will not make deal with Communists unless first double-crossed by National Government and that he will defend Peiping area to the death. Nevertheless when we mentioned increasing evidence Fu might be in mood for accommodation with Communists Fugh contented himself with saying "in that case I should be very unhappy".

While Fugh [was] convinced General Fu will not make deal with Communists and will defend Peiping-Tientsin area to death, it is our impression that at time of conversation Fu is undecided as to course of action he should adopt. KmtRC circles continue insist they are mediating between Fu and Communists and similar reports have been received from other normally reliable sources. Also within past 24 hours two different sources report Fu has sent representatives to Shichiachuang to consult with Communists there. Finally it is reported that commercial air service Shanghai to Peiping cancelled today. From these indications situation would appear possible Fu may have decided [that to] continue resistance would be fruitless and that his interests would be best served by reaching early accommodation with Communists. If this is true negotiations probably still in bargaining stage. Since Fu retains considerable military potential, his negotiating position fairly strong. He might if pushed too far still elect attempt defend present area under his control or try move to north-west for continued resistance in association with Mohammedan leaders.

Sent Department, repeated Peiping 28, Shanghai 1267.

STUART

893.01/12-1548 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 15, 1948—3 p. m.

[Received December 15—2:03 p. m.]

2780. Contradicting *Chungkuo Jih Pao* December 9 report that headquarters Democratic Socialist Party will move Hong Kong, Carsun Chang¹⁹ informed member this Consulate General December 14 that he and his party will remain Shanghai even after Government change unless restrictive measures become too oppressive. Insists that rumored split Szechuan Democratic Socialist Party organization is overemphasis of unimportant local quarrel between Chang Ling-

¹⁹ Chairman of the Democratic Socialist Party.

juo and another member of party, which Carsun Chang has already patched up, and that ranks of party are closely knit except for original reform group break-away to Hong Kong. Chang also insists that neither he nor party will participate in formation Sun Fo cabinet. Further details being airmailed.²⁰

Sent Nanking 2086, repeated Department 2780.

CABOT

893.00/12-1548 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 15, 1948—7 p. m.

[Received 10:40 p. m.]

542. Informed by Hopei Provincial Governor²¹ that Nationalists withdrawn from: Tungchow, Lianghsiang, Fangshan and that situation vicinity Shihchingshan (source Peiping power supply) and west airfield unstable. He also stated Nationalists withdrawn Fengtai (rail junction immediately south Peiping) although Vice CG²² Kuo Tsung-fen, North China Bandit Suppression Headquarters, had informed earlier Fengtai still held though by small force. Fengtai near vicinity Peiping south airfield.

Reliably informed Communists have peacefully occupied Tsinghua University and are in process occupation Yenching. Desultory firing near vicinity northwest Peiping.

Repeated Nanking 800, Shanghai 533, Tientsin.

CLUBB

893.00/12-1548 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 15, 1948—7 p. m.

[Received 9:50 p. m.]

543. Have received word indirectly purporting to come from Communist commander Nieh Jung-chen requesting that I make appropriate representations local authorities to end that there shall be no destruction Peiping municipal utilities prior to Communist occupation (see Contel 542, December 15) and giving assurance protection and good treatment aged citizens. I propose broach subject discreetly with local authorities and handle matter on *ad hoc* basis. Please instruct immediately.

²⁰ Not printed.

²¹ Lt. Gen. Chu Hsi-chun.

²² Commanding General.

Have just received report from Peiping representative Foreign Office which leads me believe General Fu Tso-yi intends personally leave Peiping. Report received from member Consulate who assisted evacuation Americans by plane "St. Paul" indicates Fu may actually have left by special plane this afternoon.

Aforementioned Foreign Office representative suggested this Consulate and perhaps other Consular representatives Peiping take measures self-protection and protection their citizens this locality "in event Fu were to leave" indicates some belief disorder possible. Indications are, in short, authority may shortly collapse Peiping. Presume General Fu would not wait surrender if departure feasible. Informant states if he departed none would take command fearing responsibilities before Communists. Military situation and causes obscure. Official contacts today show bewilderment course events. Fact is Fu has withdrawn all strong points, deployed some forces immediately about walls Peiping, but brought large forces inside town itself where military action impossible.

Vice Consul [*Vice Commanding General?*] Kuo Tsung-fen said about three-fourths force outside town one-fourth in but indications are possibly more out than in. Estimate forces available locally 60 to 70 thousand. Reported Communist broadcast demand city surrender in 4 days or have electricity and water shut off.

In absence indication fighting spirit and effective strategy, surrender within that time must be considered possibility.

CLUBB

893.00/12-1548 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 15, 1948—10 p. m.

[Received 11:07 p. m.]

549. American informants state Communists after visiting Tsinghua and Yenching Universities departed without making trouble or entering upon occupation. Informant met and talked with Communist troops near Summer Palace. Indications only small groups Communists immediate vicinity Peiping.

"Maintenance groups" of 1937 type were sometime ago already in process establishment by local groups for preservation peace and order during interim period of change-over from Nationalists to Communist control. Believe moreover that there are many Communist agents in town and probably effective take-over arrangements have already been made with many officials remaining at post. Expect little or no disorder or threat to American lives at time change. Some chance looting but probably even that chance small because turn-over prom-

ises to be effected suddenly and by means more political than military. In circumstances strongly advise against any move send American troops (if any contemplation that measure) with aim extending protection American citizens (reference today's broadcast from Australia reporting such action planned for Tientsin). This office, of course, taking such precautionary steps as are feasible regarding protection. Intermediary for message indicated (Contel 543) stated Nieh Jung-chen was expected command Communist Armed Forces Peiping and Yeh Chien-ying (former Communist representative Executive Headquarters) would be Peiping Mayor. Message contained reminder that Communist[s] had upon occasions in past, as when they rescued Doolittle flyers,²³ shown themselves friendly disposed towards Americans and stated they desired maintain good relations with America. Middleman long known to me believes message genuine.

Sent Department 549; repeated Nanking 805.

CLUBB

893.00/12-1548

The Consul General at Tientsin (Smyth) to the Ambassador in China (Stuart) ²⁴

No. 115

TIENTSIN, December 15, 1948.

SIR: I have the honor to refer to this Consulate General's despatch No. 112 of December 6, 1948 ²⁵ entitled "Government Evacuation and Communist Occupation of Chinwangtao", and to enclose a copy of a further report ²⁵ from a Chinese employee of the Kailan Mining Administration who left Chinwangtao on December 10 and arrived in Tientsin on December 12.

The informant reports that considerable looting occurred on November 27, following the evacuation of Government forces, but that order was restored on the arrival of Communist troops the next day.

The informant states that on December 2 about seventy motor trucks with Communist troops arrived in Chinwangtao, and with them were "many tens" of Russians wearing a semi-military uniform who examined all technical installations in the city. Informant believes that these Russians were technicians; they departed on the following day. According to the informant, the railway is said to be in working order between Peitaiho and Mukden, but only for military use.

²³ Lt. Gen. James H. Doolittle led a force of United States planes in a bombing attack upon Japan in April 1942; a number of aviators landed in China.

²⁴ Copy transmitted to the Department by the Consul General without covering despatch; received December 27.

²⁵ Not printed.

The informant reports that the Communists stated that they would take over all Government or Chinese owned properties and service but would not touch Kailan Mining Administration property as it is foreign owned.

According to the informant, Chinwangtao is short of food and there is anxiety on this score, despite Communist reassurances, as there are no signs that food is coming in. He states that the Communists were "polite and courteous" when they first arrived, but their attitude seems to be stiffening.

Respectfully yours,

ROBERT L. SMYTH

893.50 Recovery/12-1648 : Circular Telegram

The Acting Secretary of State to Certain Diplomatic Missions ²⁶

WASHINGTON, December 16, 1948—9 a. m.

Following may be useful as guidance answering any questions about Hoffman's Shanghai statements ²⁷ which have been interpreted some quarters as meaning US aid for Chinese coalition govt incl Communists.

Use McDermott ²⁸ statement Wireless Bulletin 293 Dec 14. ²⁹ Hoffman's original statement included: "Purpose my visit not to determine or define policy US toward China. I haven't qualifications or authority settle complex military political issues involved." Thereafter he responded informally on basis his personal opinion re hypothetical developments to effect he would favor continuance aid if successor govt evolved which represented all people and would not restrict human freedoms.

Re US policy toward European govts incl Communists might be useful refer to Secy's speech Berkeley, Calif March 19: ³⁰ "Since association (with ERP ³¹) entirely voluntary people any nation have right change minds and in effect withdraw. If they choose to vote into power govt in which dominant polit force would be party whose hostility this program has been frequently publicly and emphatically proclaimed this could only be considered as evidence desire that country to disassociate itself from program. This govt would have to

²⁶ The Missions at Ankara, Athens, Berlin, Bern, Brussels, Copenhagen, Dublin, The Hague, Lisbon, London, Oslo, Paris, Reykjavik, Rome, Stockholm, Vienna, and Moscow.

²⁷ Paul G. Hoffman, Administrator of Economic Cooperation Administration; text of his press conference at Shanghai on December 13 not found in Department files.

²⁸ Michael J. McDermott, Special Assistant to the Secretary for Press Relations.

²⁹ Not printed.

³⁰ Department of State *Bulletin*, March 28, 1948, p. 422.

³¹ European Recovery Program.

conclude Italy had removed itself from benefits European Recovery Program."

Also speech Los Angeles March 20:³² "We now know here and abroad Sov Union and communist parties Europe will go extreme lengths defeat recovery and revival strong, democratic and independent Europe. Despite their aggressive opposition, we and western nations Europe determined recovery shall be achieved, tyranny of govt shall be checked and peoples who wish govern themselves shall remain free do so."

Instructions to VoUSA³³ re Hoffman story were: Stress reference Truman's last-minute instructions urging make clear US friendship Chinese people. Stress restatement ECA's purposes—aid peoples not govts get econ rehabilitation so free institutions can emerge. Use Marshall's June speech.³⁴ Stress references US interest in human freedoms. Statement about not being competent discuss mil or polit matters is good. (Rptd Moscow for info.)

LOVETT

893.00/12-1648: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 16, 1948—10 a. m.

[Received December 16—6:46 a. m.]

2532. Chang Chun, acting as Generalissimo's emissary, sent for me morning December 13. He said that Generalissimo was hearing on all sides that he should withdraw from active control of Government and that this view was shared by Americans; that Generalissimo would like my opinion and advice on such step. We talked about 2 hours and in true Chinese fashion he did not come to point until near end, but that was burden of his mission. He emphasized report that it was Americans who felt Generalissimo should withdraw. I finally replied that it was certainly impression of most of Americans that I had talked to that great mass of Chinese people felt that Generalissimo, as principal obstacle to termination of hostilities, should step down from his position of authority; that what people of China thought and wanted was dominant factor in our policy formation. Chang Chun continued that according to Generalissimo's reports Americans did not believe there was any close connection between Chinese Communists and USSR, nor that USSR was backing CCP. I replied that in my experience Americans were sure there was close connection between aims and methods of CCP and USSR, and that

³² Department of State press release No. 221, March 19, not printed.

³³ Voice of America.

³⁴ Department of State press release No. 459, June 7, not printed.

former represented faithfully policy of USSR in China. This did not mean, I added, that in American opinion Soviet soldiers and technicians were actually participating in civil war on Communist side. I continued that what American Government and people wanted were establishment and general application of human liberties and preservation of independence of China. I said that the present Government should make these objectives theirs and should make them known to people of China as its program; that the Kuomintang should stand on these declared principles in any negotiations with other side, and if it were able to inspire people of China with significance of these principles and reenlist their support in sacrifice and suffering and exile against the threat of totalitarian dominion, the National Government could be sure of active sympathy and support of Government of US wherever in free China it might have to move to continue fight. I said that if peace in China could be achieved on basis of human liberties and national independence, well and good, but that there should be no compromise with principles and that if they required continued resistance the Nationalists would have the support and sympathy of entire non-Communist world.

In response to suggestions for outside help on mediation in present stage, I emphasized over and over that present decisions must come from Chinese, that it must be Chinese initiative which either makes peace on honorable terms or inspires people of China to further resistance of totalitarian aggression. I said that we were interested in what Chinese people wanted and were willing to support; that issues must be clarified and confidence of people secured by Chinese leaders themselves and their policies. I continued that these policies should no longer be on a partisan basis of for or against Chiang Kai-shek or his party or his Government, but that they should be lifted to higher non-partisan plane of individual human rights and national independence.

Chang Chun said he thought he understood and would think very seriously about what I had said. I said that he would have to do more than think about it; that he and other Chinese leaders in and out of Government would have to do something constructive and do it fast.

STUART

893.00/12-1548 : Telegram

*The Acting Secretary of State to the Consul General at Peiping
(Clubb)*

WASHINGTON, December 16, 1948—noon.

264. Urtel 543 December 15 para 1. Dept no objection your acting in capacity transmitting agent and orally informing local authorities

of Comm message. You should not, however, make any official or unofficial representations this regard or act in capacity intermediary but should limit action to informing authorities of message recd. Dept suggests you endeavor arrange have one or more your foreign consular colleagues accompany you any approach made to local authorities.

LOVETT

893.00/12-1648 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 16, 1948—4 p. m.

[Received December 16—9:18 a. m.]

2802. Customs Inspector General Little³⁵ has just shown me what purports to be a notice addressed to him by Communist military leaders Chu Teh and Peng Teh-huai (names typed but not signed) and recently delivered by ordinary mail to effect that foreigners employed by Chinese Government should remain at their posts and keep all properties intact for "final handing over to the people in the near future", that foreigners who do this and comply with rules governing punishment of war criminals (listed in notice) will not be harmed.

Full English version of notice (all that Little received) being air-mailed separately³⁶ (notice is typed and evidently form letter presumably sent to other foreigners in Chinese Govt employ, as it is carbon copy except for Little's name at top). Of interest is fact that the plain bond letter-sized paper used is (as proven by spread eagle watermark) same as that supplied by Department to Foreign Service officers and that used here also by other American agencies. Return address given on envelope (locally made) is Rotary Club, Shanghai. These points suggest possible deliberate intent to impress addressees with extent of Communist penetration of foreign circles. Notice dated November 11 posted at Shanghai, November 14. Cover bears final postmark indicating its apparent delivery at customs November 15, but Little did not receive it till yesterday.

Sent Nanking 2103, repeated Department 2802.

CABOT

³⁵ L. K. Little, Inspector General of the Chinese Maritime Customs.

³⁶ Not found in Department files.

893.002/12-1648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 16, 1948—5 p. m.

[Received December 17—9:46 a. m.]

2543. Sun Fo tells us he is still unable form Cabinet. He has asked Shao Li-tze, Chang Chih-chung, Wu Tieh-chen, Carsun Chang and Chen Li-fu to join in Cabinet but only latter has accepted. Others refuse on basis Sun Fo has no policy. This Sun Fo himself confirms indicating that Generalissimo insists retaining full powers his own hands with avowed intention of fighting unto death. Sun Fo said he had suggested Hu Shih as his Foreign Minister, but Generalissimo said he had other uses for Hu. Hu arrived Nanking last night at Generalissimo's request and we anticipate Generalissimo will pressure him form resistance govt.

Both those who desire negotiated peace and those who seek other leadership to continue fight against communism appear paralyzed by refusal Generalissimo to retire in face almost universal loss of support. He seems incapable supplying leadership himself and unwilling trust others with authority. Many Chinese believe he is insistent his determination to continue against communism solely by his belief that sooner or later sufficient aid will be forthcoming from US to save him. They feel that if he became disillusioned on this point he would soon retire and let others take helm.

Should he give to Sun Fo authority Sun seeks, we could expect, we believe, early attempted cessation hostilities. Those desiring continuance struggle against Communists are unorganized and without leadership. Possibly Hu Shih could supply this. Nevertheless we incline to belief that removal Generalissimo at this time would almost inevitably result in coalition govt of some kind. A coalition in resistance to communism is still possible, but we believe highly unlikely.

In spite of previous policy statements US Govt, there exists befuddlement in Chinese public mind real intentions US and each is seeking attain his own aims by reading into what is coming to be called our "vacillating policy" explanations supporting his own interest.

We realize difficulty at this stage our enunciating US policy toward China yet we firmly believe our interests are suffering from lack of clarity in Chinese mind of our intentions. Respectful treatment of Mme. Chiang with the studied courtesy due a charming lady, the press conference of Hoffman in Shanghai, which has been interpreted as acceptance coalition, and the persistent unfounded rumors that American officials Nanking are advocating coalition all tend to muddy

the waters and make difficult clarity of thinking or decisive action by Chinese who wish to continue resistance.

STUART

893.00/12-1648: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 16, 1948—6 p. m.
[Received December 17—10:30 a. m.]

2544. In 15 December interview with Astalusna,³⁷ Assistant Military Attaché and officer of Embassy, Kan Chieh-hou^{37a} stated Li Tsung-jen currently negotiating with Communists in effort secure their recognition present Government under leadership Vice President, when and if Gimo leaves office. In preliminary talks with "low level Communist leaders Shanghai" Li's emissary was told Communists would not recognize present Government with or without Gimo but would form new coalition government in which Li could participate. Li then sent emissary to Soviet Embassy here request intercede with Communists. Soviet officer stated his Embassy had no influence with Communists and reiterated stand Shanghai Communist leader. On second visit to Soviet, Li emissary told him that Li greatly fears prolongation civil war because of information recently obtained from one Li's followers in course interview General Wedemeyer that US will arm mercenary Japanese army for service in China and will arm South China war lords if Communists cross Yangtze. Soviet reputedly evinced great interest this report. On third visit Soviet expressed opinion Sino Communists would not recognize continuation present Government under Li but would perhaps recognize "temporary provisional government" under his leadership. Soviet officer said he could not facilitate contact with Communists and advised Li make own contact to negotiate recognition. On 13 December Li's representative went Hong Kong with Shanghai Communist leader carry out negotiations with Hong Kong Communists. These maneuvers all designed clarify regularize Li's position with Communists before Gimo leaves office.

Li recognizes time element favors Communists and time probably insufficient finish present negotiations before Communists cross river.

Thus Li's second course action is attempt persuade or force Gimo from office soonest possible and immediately thereafter offer peace to Communists as chief temporary government. This course "very dangerous" since Gimo still controls local garrison police and secret police.

³⁷ Assistant Naval Attaché in China.

^{37a} Secretary to Vice President Li Tsung-jen.

Also there has been no consultation between Li and other political and military leaders who wish see Gimo go, and each fears be first attempt persuade Gimo to do so.

Third course is attempt remain behind in Nanking or vicinity to negotiate when Gimo leaves in flight. This course considered impractical since Gimo will force Li accompany him. There exists, as forlorn hope, plan to flee by junk to unspecified point on north bank river.

In course interview it was clearly apparent that Vice President has no adequate plans safeguard his interests in present emergency, that there is great confusion in his mind as to most suitable course action and that he apparently lacks courage either confront Gimo with demand or request for withdrawal or make open break with him. It was also apparent that Li is not included in the consultations between Government leaders over question of disposal of Gimo. Li's quiescence and unilateral action present time will detract seriously from his capability come forward as chief of state should Gimo withdraw.

Also Kan expressed belief Soviets reluctant see Communists cross Yangtze if such move would bring on American intervention in South China. Also said he is convinced Mao Tse-tung equally unwilling. Said Mao rivalry Lin Piao and Li Li-san³⁸ groups acute. Communist military penetration south of river and formation government for that area would be Mao's responsibility with responsibility North China and Manchuria going to Lin and Li Li-san, thus placing areas with richest resources under their control. While we have no firm information support these statements, aside from repeated rumors Mao-Lin rift, we perceive certain logic these arguments.

Attachés reporting above separately.

Sent Department 2544, pouched Shanghai, Canton, Hong Kong.

STUART

893.00/12-1648 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, December 16, 1948—6 p. m.

[Received December 16—4:04 p. m.]

2936. Suggestions emanating from my Chinese colleague³⁹ and other sources in and out of China as Nationalist situation deteriorates

³⁸ Member of the Central Committee of the Chinese Communist Party; adviser to General Lin Piao.

³⁹ With respect to the attitude of the Chinese Ambassador in the Soviet Union, Foo Ping-sheung, see also Embassy's telegram No. 3005, December 23, 7 p. m., p. 680.

to effect "coalition" government needed have familiar and ominous ring of a death knell.

Whatever complexities of momentous events taking place there, I trust Department is keeping constantly and clearly in mind, as an established axiom, realization that only sure way for Communists to secure early and complete control all China is through tested device of just such "coalition" or "popular front" regime. However strong they may look at moment, I should consider likely Chinese Communists must soon reach end their immediate exploitable lines. It would be surprising at that point, while sitting on their conquests, they did not try to get their hands on Nationalist Government machinery, and that their efforts were not accompanied by clamor from Communists, fellow travelers and gullible innocents all over world. As we see it here, such program should not only be determinedly resisted but deliberately exposed in light lamentable example of Eastern Europe.

SMITH

893.00/12-1648 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 16, 1948—7 p. m.

[Received 9:44 p. m.]

554. Re Contel 543, December 15. Intermediary saw agent again today and brought modified version, it now being proposed that:

1. Americans be advised remain in residence on property in order protect it.
2. American business and technical staffs including USIS remain at posts.
3. There be no destruction American equipment such PUMC⁴⁰ or USIS (believed by Communists include consular radio station?). For latter might be able function. (Intermediary explained Communists heard destruction equipment AAG⁴¹ on departure Peiping and evidently considered this in proposal.)
4. If possible, persuade Chinese academicians and technicians remain Peiping where needed.
5. If possible, persuade Fu give up since hopeless position and surrender, departure best for all.

Re 1, I made no comment. Re 2, said best my knowledge almost all Americans planned go had gone. Re 3, said best my knowledge no intention PUMC, other US concern destroy but same property might be threatened by troops during interim period. [Re] 4, said in no position influence Chinese technicians in their decision go or stay.

⁴⁰ Peiping Union Medical College.

⁴¹ Army Advisory Group.

Re 5, I said American position was one of noninterference Chinese affairs and I could not undertake advise Fu one way or another.

Note that item re protection Peiping utilities was not brought forward today. It would be logical assume Communists endeavoring in any event make arrangements through other channels. Opine tentatively problem utilities can best be left to Chinese.

Intermediary gave impression feeling time was short. That factor of course remains uncertain element present equation (Contel 553, December 16⁴³).

Note by information Contel 552, December 16⁴³ that there is now shaping up organization which could serve function of "maintenance". Now consulting with consular colleagues re possible interim measures.

Repeated Nanking as 810.

CLUBB

893.00/12-1748 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 17, 1948.

[Received December 17—7:03 a. m.]

557. ReContel 556, December 17.⁴³ English language Peiping *Chronicle* today reports General Fu Tso-yi yesterday convened conference high officials and commanders for discussion present military situation, steps to be taken to strengthen defences Peiping and Tientsin and for maintenance peace and order; and states that General Fu emphatically declared he is determined to fight to last man for defence Peiping-Tientsin. Central News Agency, Nanking, despatch locates Communist 1st, 2d and 6th columns Lin Piao, Communist forces near Fengjun (northwest of Tangshan), 3d column at Langfang, and 4th, 5th, 7th, 8th, 9th, 10th and 11th columns and 7th independent division in area northwest of Peiping and at Miyun and Shunyi (north of Peiping) and several Great Wall passes. This version characterizes fighting which began December 14 near Chingho Summer Palace and Shihchingshan as only tentative Communist penetration.

Repeated Shanghai 544, Nanking 813, Tientsin.

CLUBB

124.936/12-1748 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, December 17, 1948—7 p. m.

1852. In view present uncertainties China and possible later interruption communications Dept believes useful this time outline its

⁴³ Not printed.

views re position of Emb event ChiGovt falls or successor regime established Nanking.

First efforts Emb after assuring safety personnel and property should be continuance or reestablishment communications with Dept and other China posts. In this connection views Embtel 2219 Nov 15⁴⁴ considered generally applicable.

In event Communists attempt form coalition Govt considerable political jockeying may occur. Dept considers such coalition strictly Chinese responsibility and desires no responsibility whatsoever be attributed this Govt for formation of it, for its composition or for basis upon which it is formed. Emb should accordingly participate in no way either formally or otherwise in discussions or maneuvers leading thereto. Dept does not desire this Govt be placed in position underwriting in any way such coalition or any fraction or group participating therein. Foregoing is reiteration of US Govts position as reviewed in Depts Top Secret instruction no. 230 Nov 13 and previous related communications.

It is possible revolutionary Communist Govt or coalition Govt will be established in which case question recognition would arise. On other hand coalition might arise which claims be legal successor present ChiGovt. We would be free accept this claim and continue present relations or reject it depending upon circumstances. In case either foregoing contingency arises, Emb should report all relevant factors to Dept, including political complexion, composition and mode formation of regime; Emb's evaluation measure public support for regime, its probable stability, maintenance of order and probable ability and willingness honor China's international obligations, including existing Chinese treaty and other commitments and protection American and other foreign nationals and property. Emb should await Dept's instructions re recognition. Meanwhile Emb should exercise every caution avoid any step which might be considered as leading or tantamount to recognition. Emb should refrain from visaing passports issued by new regime, from addressing any formal communication to its officers in such official capacity as they may purport to hold and from taking any other step which might constitute or be interpreted as constituting recognition. Dept realizes that certain informal contact as practical matter will be necessary, but care should be exercised that it not be subject to misinterpretation.

LOVETT

⁴⁴ *Post*, p. 835.

893.00/12-1748 : Airgram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 17, 1948.

[Received January 3, 1949—2:14 p. m.]

A-1096. A Reuters' correspondent has made available to us in confidence the text of an off-the-record interview which he had on November 29 with Ch'iao Mu, Chinese Communist spokesman in Hong Kong. Most of Ch'iao's statements reported in this interview constituted material which the American Consulate General at Hong Kong has already reported, and more fully, in its recent despatches seen by this office on the subject of Ch'iao Mu's views. The following statements by Ch'iao have been selected as representing (on the basis of copies of the Hong Kong Consulate General's despatches that have thus far reached us) statements by Ch'iao which might not fully have come to that office's attention. Ch'iao's remarks concerning the treatment to be accorded to foreign press correspondents in "liberated" areas are believed of especial interest.

An understanding between the Communists and the "liberal" elements of the Kuomintang is impossible because the Communists could not possibly have any dealings with so-called "liberals" simply because they cannot be "liberals" if they are still working with Chiang. It is ridiculous to suggest that Sun Fo was appointed premier in order that he might change his policy and talk peace with the Communists. The only Kmt members that Communists would cooperate with are those of the "Revolutionary Kuomintang", headed by Marshal Li Chai-sum in Hong Kong.

The British Government's policy of "neutrality" in China's civil war and the hospitality extended to the Communists in Hong Kong is greatly appreciated. The British authorities' statement that they would not permit Hong Kong to be used as a base of operations against the Government of China was welcome as it is hoped that this policy will continue when the Communists and other liberal groups become China's recognized government. The Communists would understand the Hong Kong Government's policy if Nationalist leaders should become refugees in the Colony, as the latter's position would then be the same as the Communists' present position. The Chinese Communists could have perfectly normal relations with the United Kingdom.

Mr. Ch'iao made the following remarks about foreign correspondents: 1. Foreign correspondents and other foreigners in "liberated" China are safe under the laws of the People's Government. This principle will be applied to newly-liberated areas. 2. News-gathering will be allowed. In so far as a state of war exists, the activities of

foreign correspondents are to be subjected to the guidance of local military or political authorities. 3. Communication facilities to points outside liberated China will be as extensive as feasible. 4. Full freedom to report true facts will be given. 5. Under mutually agreeable arrangements, it is hoped that the reception and distribution of foreign news agencies' services may be possible. 6. Reasonable working conditions will be made available for foreign staff correspondents in liberated China.

CABOT

894A.00/12-1748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 17, 1948—9 p. m.

[Received December 18—2:55 a. m.]

2545. We have given careful consideration to Shanghai telegrams 2449, November 17 to Department, repeated Nanking 1855, and 2585 of December 1 to Department, repeated Nanking 1951, and have following comments re their implication with respect American policy toward Taiwan. Reports from Consulate General, Taipei, discount influence Formosan leader referred to in Shanghai's 2449 and suggest little prospect for success of any rebellion under such leadership (see Taipei's 79 [89] December 2⁴⁵ repeated Nanking 172).

It must be admitted, however, that Chinese activities in Taiwan, since liberation from Japs, have tended to dissipate enthusiasm with which Taiwanese anticipated return to Chinese sovereignty. In present national crisis CAF and Navy are already in process transferring their major installations to Taiwan. Large numbers well-to-do Chinese have already established themselves on island and others, who have means to do so, and can secure transportation, will doubtless do likewise. It is possible that other sections Chinese Government itself will evacuate to island. This process would undoubtedly create growing discontent among native elements and it may result in small abortive uprisings. Downfall Nationalist Government might be signal for even wider spread insurrection. We assume, however, that Chinese possess necessary force on island to suppress any such activities.

As Department is aware, CAF has already requested American assistance to move its heavy equipment from Shanghai to Formosa. (See Deptel 2082, December 2 to Shanghai, repeated Nanking 1759, and Embtel 2443, December 7, repeated Shanghai 1227⁴⁶). It is obviously in our interest to keep this equipment from falling into

⁴⁵ Not printed.

⁴⁶ Both telegrams are printed in vol. VIII, "U.S. Military Assistance to China" (Ch. IV).

Communist hands. This raises problem of degree we are prepared to go in assisting Chinese movement to Taiwan. This is related to larger problem of American assistance to Nationalist Government remnants in peripheral areas such as Taiwan, Canton area, Yunnan, Szechuan and northwest should Yangtze valley, as appears likely, fall under Communist domination.

Problem of Taiwan presents, however, certain differences from other peripheral areas. Inhabitants, after more than generation of Japanese rule and their geographic detachment from the mainland, have developed political sense of autonomy which, if anything, has been strengthened since war by Chinese maladministration. Despite commitment of Cairo declaration,⁴⁷ Taiwan is still legally part of Japanese empire and occupied territory. It could therefore be given somewhat different treatment from peripheral areas on mainland. Further, it is more directly related to American security and strategic plans. In event of political and military developments on Chinese mainland involving establishment of regime hostile to it, it is probable we should be loath to see island remain under authority new Chinese Government. Proper course would probably lie in holding Taiwan in trust for people of China under UN with US as administering trustee until ratification Japanese peace treaty. If, as we assume, Taiwan is directly related to American defense plans, then preservation of the considerable good will which we now have among Taiwanese is an important consideration and should be taken into account in any decision we make. Our support of migrating Chinese elements and central authority will lose us much of this sympathy.

While it is obvious that we can do nothing to halt this migratory trend, we may well be called upon from time to time to assist (as in case of movement of air force equipment out of Shanghai) in transport of official equipment or personnel from mainland to Taiwan in accordance with Nationalist Government's present or future plans to transfer part of its administration there. We feel that, in view of delicate relationship between Taiwanese and Chinese Nationalist Government, US Government should avoid, through action of any of its agencies in China, giving appearance of assisting transfer of authority of Nationalist Government to Taiwan. Views of Department on this particular aspect of Chinese policy would be useful since requests for our facilities to transport fuel, etc., may again arise as military situation deteriorates and Taiwan becomes an increasingly attractive safe haven for Chinese officialdom.⁴⁸ Repeated Shanghai 1282, Taipei 97.

STUART

⁴⁷ *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 448; or *United States Relations With China*, p. 519.

⁴⁸ See telegram No. 1810, December 11, to the Ambassador in China, vol. VIII, "U.S. Military Assistance to China" (Ch. IV).

893.00/12-1948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 19, 1948—9 a. m.

[Received December 19—8:33 a. m.]

2577. On morning December 17 I visited Sun Fo at his request. He was extremely harassed. He at once said he wanted my advice as an old friend of China, should they go on with war or sue for peace. I explained that I could not give such advice without implicitly representing my country and that my instructions on the matter were explicit. He then asked me to help him on personal grounds as far as I felt would be permissible. I described the American dilemma: We are opposed to spread of communism all over world and anxious to assist in preventing this in China, but, on other hand, we cannot do this through a Government that has lost the support of its own peoples; to do so would be contrary to those democratic principles, the violation of which is a principal reason for our objection to communism. In reply to further questions or comments, all of which revealed his genuine perplexity, I pointed out that the all but universal desire of the people was for peace, and that, although this could not be registered by any constitutional process, yet it was as evident to everyone as had been the popular will to resist and the consequent support of the Government during the Japanese wars; that President Chiang's determination to resist to the end, then as now, was magnificent in its personal courage and patriotic purpose, but that his own problem as Premier would seem to lie in whether to support the President, in the face of contrary public opinion and the unfavorable military and fiscal trends, or to have the Cabinet discuss and decide the issue for presentation to the President; that, in other words, it might be helpful to the President if he were advised to relinquish his emergency powers and delegate more authority to the Executive Yuan, or if this were too cumbersome, to a small group who had his confidence and could in some real sense represent or at least interpret the people's will; that this did not necessarily involve the President's resignation, but it ought to mean that the delegation of authority was complete and real.

Dr. Sun asked if I had any special information as to results of Madame Chiang's mission and present attitude of General Marshall. I replied that I knew of no changes in American policy resulting from her visit to Washington; that the Secretary of State was still deeply solicitous over Chinese affairs but that he was probably very much perplexed as to what America could do to help; that nothing more was possible until after Congress had assembled; and that I questioned wisdom of Chinese authorities allowing their decisions to be

influenced by any expectation of American military aid under existing conditions.

He then put series of questions as to whether Communists wanted peace, or would abide by their promises, or would not continue to use their armies to overrun China since they had the power, et cetera. I replied that these were all pertinent, but that I had no answers that were more than guesses. He asked if I had any direct contact with the CP ⁴⁹ leaders and when I replied in the negative he remarked that part of the problem was how to reach them and ascertain their views. He wondered if they were in touch with Soviet Embassy and whether he might not undertake to mediate. When I rather discouraged this approach he expressed hope that US and USSR might jointly undertake this, to which I replied that such proposal would have to come from the two Chinese parties before it could even be considered seriously, but that I personally inclined to opinion that Chinese had better try to find their own solution despite all the quite obvious difficulties. He remarked that any decision for peace or war by Executive Yuan would be subject to review by Legislative Yuan which, while in a sense representative of people, had about one-third its membership under CC Clique control, and that it would also involve much argument and publicity.

I then tried to sum up my advice to effect that he and his colleagues would have to debate whether in view of all factors they could from now on fight communism more effectively by military or political methods, and that no outside elements could or should decide this for them nor influence their choice; that I was confident that a very large element of the politically conscious people of country were strongly against communism and its ruthless totalitarian policy; that they should think in terms of preserving individual liberties and national sovereignty as the fundamental issues rather than of the retention of the Kmt and its present leadership as against some other procedure; that I could assure them of continuing American sympathy and readiness to help in whatever ways seemed to be beneficial to the Chinese people and their national independence; and that I was personally much more sympathetic than my replies to his questions might seem to indicate.

STUART

⁴⁹ Communist Party.

893.00/12-2048 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 20, 1948—9 a. m.
 [Received December 20—8:05 a. m.]

567. Following received last night from son Yenching professor reputed prominent current negotiations between Fu and Communists.

1. About 2 weeks ago there arrived Peiping two Communist representatives Kung and Yang, Kung being former senior to Genau [apparent garble], to see Fu. Proposition was to reach political settlement basis Fu's retaining present holdings (in Hopeh, effectively Peiping and Tientsin). Fu remains uncertain of: (1) their powers, whether they truly speak for Mao Tse-tung and Chou En-lai, (2) attitude 3 Central Government armies Peiping (13th, 16th and Li Wen force comprising Fourth Army Group) in event he reached agreement.

2. At one time six Communist delegates arrived negotiate separately with above-mentioned Central Government armies, armies reported wavering. Two Fu delegates were to tell Fu last night or today that he must hurry or Central Government forces will confront him with embarrassing *fait accompli*. Lin Piao prepared withhold attack for 3 days from December 18, longer if progress negotiations warrants. Indications are that Fu, who has met delegates twice before and delayed decision 2 weeks, is now faced with necessity making decision on December 18, reported Peiping Communists had given 4-day time limit for surrender. Armenian, captured Peiping west suburbs December 17, released yesterday, informed Consulate office that he was taken Communist Hqs, that Communists placing artillery west suburbs they suggested he wait 3 days and return town with them.

To SecState 567, AmEmbassy Nanking 815.

CLUBB

893.002/12-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 20, 1948—5 p. m.
 [Received December 21—8:11 p. m.]

2585. Cabinet situation remains confused. Even many of Generalissimo's closest friends are convinced that he must go in order that there may be peace. His sole staunch supporter in continued resistance appears to be Hu Shih, who, equally with Generalissimo, is convinced that sole honorable way is to continue resistance against communism and his hand is strengthened by reportedly reassuring messages Generalissimo is receiving from Madame.

Otherwise those surrounding Generalissimo, including of late even Chang Chun, feel continuation present ineffective policy directed by Generalissimo will be disastrous; that some change is needed; that effort to negotiate peace is best policy, but no one of them either singly or collectively dares face Generalissimo with demand for his retirement, thus permitting some such arrangement.

Group headed by Chang Chun, but including Chang Chih-chung, Wu Tieh-cheng, Shao Li-tze, Wang Chung-hui ⁵⁰ and Chen Li-fu, are holding off from joining Sun Fo Cabinet until assured Generalissimo will relinquish his full powers. Failing this, they are considering recommending [to] Generalissimo that China appeal other members [of] Big Five in UN to arbitrate China conflict and to act as protectors of any agreements reached. They feel need for peaceful solution, yet fear lack of good faith part Communists should agreement be possible. Fearing repetition Eastern Europe, their aim is territorial arrangement.

Meanwhile, Sun Fo continues unsuccessfully his effort form cabinet, the [apparent omission] while Generalissimo is urging Hu Shih to organize small "brain trust". Hu is resisting as he objects to what he calls "super cabinet" and Sun Fo resents his own inability to form cabinet because of his failure persuade Generalissimo give him full powers and as result he is blaming US bitterly, saying we hope for collapse Government, sooner the better, and desire retirement Generalissimo.

It is clear that, supported by Hu Shih, Generalissimo continues to hope that sooner or later US will come to his aid with sufficient force to save him.

STUART

893.00/12-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 20, 1948—5 p. m.
[Received December 21—8:58 a. m.]

2587. Resolution introduced in Legislative Yuan December 7 that China's case be brought before United Nations is stalled in committee and early action appears unlikely. Opposition to bill in Legislative Yuan based on difficulty of proving Soviet complicity and feeling that in any case UN powerless to help.

Only about 300 legislators remain Nanking. Yuan's activities, now confined largely to discussing plight of nation, interpellating officials and passing unimportant measures, are scantily reported in

⁵⁰ President of the Chinese Judicial Yuan.

press. In anticipation of Sun Fo's resignation, Legislators have been actively promoting their candidates for President of Yuan, with Wu Tieh-cheng and W. W. Yen most prominently mentioned. CC group has reportedly thrown support to Yen after finding not enough votes could be mustered to elect Chen Li-fu. Present Yuan session scheduled end December 28.

STUART

893.002/12-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 20, 1948—6 p. m.

[Received December 21—6:52 a. m.]

2588. Vernacular press December 15 widely reported Sun Fo, because of failure to form Cabinet, tendered resignation to Generalissimo but latter refused to accept. During last 2 days press has ascribed Sun's difficulty in forming Cabinet to (1) dispute over power of new Cabinet and (2) inability to decide on a national policy satisfactory to all important leaders, difficulty aggravated by uncertainty as to US intentions.

While not explicitly stated, it is implicit in most stories that crux of difficulty is issue of peace or war. *Chung Yang Jih Pao* for December 15 takes official cognizance these reports, denying that any question of making peace is involved and asserting that only possible policy for Cabinet is to fight to bitter end.

STUART

893.00/12-2048 : Telegram

The Consul at Tsingtao (Strong) to the Secretary of State

TSINGTAO, December 20, 1948—6 p. m.

[Received December 21—11:12 a. m.]

277 [227]. Mimeographed circulars in Chinese language purportedly issued by Communist chief in Tsingtao December 16 were mailed within Tsingtao to many prominent Chinese here between December 16 and 18.

First circular claims "proclamation by political dept of HQ of East China People's Military Zone of People's Liberation Army dated December 2. Rough translation of 7 points follows:

(1) Lib Army to protect lives, property, freedom all people, who should keep order, disregard rumors.

(2) Lib Army will protect people's industry, trade and private capital. All private enterprises to carry on.

(3) Kmt enterprises to be taken over by Democ Govt but privately held shares such enterprises will be left with owners, employees to continue work, preserve property. Reward or punishment to employees according to conduct.

(4) Lib Army will protect utilities, education institutions, relics, other institutions and personnel who should carry on as usual.

(5) Except for major war criminals, Lib Army will arrest no one who not resist by force. Arms and ammunition to be surrendered, property and archives to be protected until Lib Army takes over. Nonreactionaries and those with good records will be reemployed upon exam.

(6) Foreign consulates and personnel, all foreign nationals, if obey orders of Dem Govt and not spy or conceal war criminals or commit sabotage persons and property, will be protected.

(7) Before and after the entry of Lib Army into a (theory) city all people must keep order avoid damage. Violators will be punished. Lib Army discipline strict, will deal fairly, take nothing.

Second circular was open letter dated December 16 signed "People's Mobilization HQ, Tsingtao" in summary:

American imperialism, the intervention in civil war, unable drive good Chinese into Kmt Army to die for capitalism. People aware of conspiracy since liberation Tsinan, Hsuechow, Tangshan et cetera. Kmt Army under orders carry out destruction plan and evacuation of all males ages 16 to 36. Recent minor national campaign out of Tsingtao was camouflage. Conspiracy is long standing, was learned from long suppressed people of Chefoo.

Attached was Chu Teh's (26121795) proclamation November 1 re punishment war criminals.

Mayor ⁵¹ reportedly received circulars December 17 meeting heads Govt depts, advised officials evacuate families; told them 6 to 10,000 Communists Tsingtao but cannot arrest view absence prison facilities.

Rumor National regular troops to be pulled out in January, leaving defence to PPC ⁵² and local defense units on which much emphasis recently placed.

Coupled with Communist broadcasts, first that they be Tsingtao by December 15, later that they take over after new year, upper class Chinese upset. However, possibly circulars were trick local owners silver coins, price of each now risen well above BM value US dollar 1. People believe Communists allow circulation of such coins only. Circulars had no chop but similar to those understood distributed in other cities previously target of Communists. As reported previously, Communists in Tsingtao believed numerous, well organized. Coup improbable near future.

⁵¹ Kung Hsueh-sui.

⁵² Peace Preservation Corps.

Airmailing translation and original documents.⁵³

Sent Dept 227, repeated Nanking 388.

STRONG

893.00/12-2048

*The Chinese Ambassador (Koo) to the Secretary of State*⁵⁴

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to request that the Secretary be good enough to transmit to the President of the United States the accompanying message, which is addressed to the President by the Members of the National Assembly of the Republic of China. This Assembly, which is composed of over one thousand and six hundred representatives of the people, was responsible for the adoption of the Constitution on December 25, 1946, and the election of the President and Vice President of China. Pursuant to the Constitution it still exercises certain political powers on behalf of the whole body of citizens.

WASHINGTON, December 20, 1948.

[Enclosure]

Message by Members of the Chinese National Assembly to President Truman

It is, indeed, China's misfortune to have one calamity after another. While our fight against the Japanese invasion has barely concluded, the terror of Communist aggression follows. As an important component part of the International Communists, the Chinese Communists are, in reality, the vanguards and spearhead of their invasion.

Outsiders may regard the present warfare between the National Government army and the Communist army as China's civil war and wish to avoid involvement. But the Chinese people consider it as a campaign against totalitarian rule in defense of freedom and democracy. If the Government army comes out victorious, freedom, democracy, equality and well-being for the people will be assured. Should the Communist forces win, there would be a halt to China's long history and culture, and in their places there will be brutality, despotism, cruelty and destruction.

Backed by the Third International, the Communist army in China may appear to be powerful. The people have, however, a clear recognition of their brutal and cruel measures, their betrayal of the mother-

⁵³ Despatch No. 107, December 22, not printed.

⁵⁴ Copy transmitted to President Truman by the Chief of Protocol, January 6, 1949.

land and their design on the destruction of the culture of mankind and have developed great hatred of them. It could, therefore, be foretold that their downfall will also be rapid.

The Communist armed rebellion is an unavoidable obstacle to our endeavor in creating a republic of the people, by the people and for the people and to the attainment of democracy and freedom in accordance with our Constitution. We are of the conviction, however, that such obstacle should be vigorously removed with all our latent moral force and our basic material strength.

If the powers friendly to us like the United States could give the Chinese Government immediate and sufficient assistance, it would mean an earlier liberation of our people from this terror and a speedier attainment of our objective in creating a truly democratic republic. As for the United States, it would not only lessen its concern over the potential threat to her national security as a result of China's defeat of the Communist forces and restoration of order, but also strengthen the friendly relations between China and the United States and the cause of world peace.

In view of the awakening of the Asiatic peoples and the spread of Communist domination, the Asiatic Continent is becoming increasingly a focal point in international politics. A Chinese adage says: "A little spark may kindle a great fire." The spark of communism which the Third International kindled in Asia has not been noted in time by our American and British friends and is, therefore, developing to be a great fire. If this fire is not extinguished, it would not only engulf China and put it behind the iron curtain, but also sweep Southeast Asia and West Pacific. In that event, it would be too late even if our American and British friends might wish to sacrifice huge sums of money and large numbers of lives. The world will be left to the mercy of the totalitarian Communists.

Knowing well of the danger as we do, we respectfully bring the matter to your attention.

(Signed)

MEMBERS OF THE NATIONAL ASSEMBLY
OF THE REPUBLIC OF CHINA

861.20293/12-2048 : Airgram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 20, 1948.

[Received January 3, 1949—3:58 p. m.]

A-1098. Reference the Consulate General's confidential despatch No. 1042 of December 20, 1948,⁵⁵ reporting (1) apparently reliable

⁵⁵ Vol. VIII, "International Refugee Organization".

information concerning the recent arrival in Shanghai of 55 new Soviet agents with special training including proficiency in English and Chinese; (2) other developments also suggestive of a newly launched drive to expand Soviet strength and action in local Russian, foreign (especially American and British) and Chinese circles; (3) mounting panic among local White Russians in the face of an apparently imminent Communist-dominated regime which, they fear, will be preceded by a period of terrorism by Soviet agents.

The following information has been obtained firsthand from one of the largest American firms operating in China, whose plants include large installations at Shanghai (closer identification is withheld for obvious reasons):

1. As is well known, Soviet Russians are already placed in many key engineering posts in local foreign firms (including the American firm under reference).

2. During the past few weeks at least two Russians in the employ of the firm under reference who are members of the Soviet Citizens Association have been active spreading pro-Chinese Communist propaganda among the firm's employees. Three Chinese separately reported having separately overheard one of them lecturing on the beauties of the expected new regime. Both have also been making rather obvious efforts during recent months to cultivate two of the American employees, inviting them frequently to the Soviet Club and Soviet homes in Shanghai.

3. During the past 2 to 3 months and particularly in the last 3 weeks constant pressure has been exerted to have the firm hire more Soviet citizens. This pressure has appeared in the form of numerous insistent applications by Soviet citizens and also apparently in the form of intimidation. One trusted veteran Russian employee of the firm who has been a Soviet citizen for some years, who occupies a post giving him virtual control of the plants' most vital machinery, and who of late has seemed to be torn between loyalty to the firm and his Communist ideology, was recently overheard in a conversation with two Soviet citizens seeking jobs in the plant. The latter were vehemently pressing him to get them such jobs; and, when he stated it was not in his power to comply at the present time "though he might be able to do something later on", they were heard to mention the name of some Russian woman (evidently a local Soviet power) who, they warned, "would not be at all pleased!" The employee in question is evidently under extreme Soviet pressure and is greatly worried. Some time ago he requested assistance from the Soviet Consulate for some members of his immediate family who are in Chinese Communist territory and was rudely rebuffed when he admitted that these relatives had not taken out Soviet papers when he did. It seems likely, therefore, that he fears Soviet retaliation on those members of his family, who are still in that area.

4. The source "knows" that (as we have gathered from reports from other quarters) the above-mentioned cases are by no means the only instances of recent attempts by Soviet citizens to force themselves into employment by important local firms. In the above connection

may also be mentioned reports of believed reliability reaching the Consulate General from different sources to the effect that Soviet agents have been endeavoring to enlist the services of Russian detectives who before the war worked for the former International Settlement and French Concession governments.

It would seem unlikely, from the standpoint of both Soviet and Chinese Communist interests, that developments such as those described above and in our cited despatch presage a conspicuous overt assumption by Soviet agencies of high level guidance of a Communist regime which might soon come into power; and possibly some of the pressure on local firms may merely reflect the feeling of individual Soviet citizens that now is their opportunity to bully their way into employment. Taken as a whole, however, the evidence suggests that Soviet agents are intensively pushing recently organized propaganda and other preparations correlated with the Communists' plans and calendar of action, and that their objectives may include the following:

- (1) Assisting the Communists in their reported well-laid plans for taking over utilities and key industries;
- (2) Placing American and other foreign firms directly under Soviet surveillance and at Soviet mercy;
- (3) Ensuring a ground-floor Soviet position in the new set-up;
- (4) Making the Chinese Communists as dependent as possible on Soviet technical help;
- (5) Utilizing the confused period of the turnover to liquidate or abduct leading anti-Soviet Russians.

CABOT

893.00/12-2148 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 21, 1948—2 p. m.
[Received December 21—6:25 a. m.]

475. Sporadic gunfire and small arms fire starting midnight increasing in intensity 5 to 6:30 a. m. Firing seemed northeast, west with few shots south of new air strip. Firing apparently vicinity east arsenal, Hanchiahsu and Yangliuchang to west and unknown places to southeast and south. Tangku reported taken by Communists yesterday.

Government military commandeering many places, foreign and Chinese, to billet troops. Artillery and street barricades being placed exit alien concession (including Catholic church and hospital) near East Station and elsewhere well inside defense moat which circles Tientsin. Chief apprehension is over possibility rioting, looting, before and during Communist attack. Presence at least 20,000 de-

feated troops not reassuring. Li Han-yuan, able police chief, promises to do best to maintain order but not sure he can do so.

Foreign Consuls Tientsin met yesterday, decided address joint note to garrison commander ⁵⁶ here regarding protection foreign lives, property. Note sent yesterday similar to that sent by foreign Consuls Peiping to General Fu, December 19. Presume Clubb reported text or substance that letter.⁵⁷

With loss Changsueichuang airfield, new air strip on race course southern end city expected operate tomorrow [and] becomes prime military objective. Communist attack or artillery fire on air strip would seriously endanger our three consular houses adjacent to strip. We taking today off moving some our effects and food stores from houses into Leopold Building, center of city, where office located. We will remain in consular houses long as possible. Arrangements also being made to house small American community if necessary in Leopold Building and National City Bank, latter new ECA office.

Sent Department, repeated Nanking as 707, Shanghai as 651, Peiping, Tsingtao.

SMYTH

893.002/12-2148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 21, 1948—5 p. m.

[Received December 21—7:01 a. m.]

2597. Surprise announcement by Sun Fo of formation Cabinet only 24 hours after his attempted resignation represents, we believe, victory for Generalissimo. Decisive element was apparently adherence of Wu Tieh-cheng who succumbed to Generalissimo's forceful insistence to accept position of Vice Premier. In this role it is reliably reported he will represent Generalissimo in the Cabinet and see that his wishes are carried out.

Apparently in new setup position of Sun Fo, who is not well, will be that of "front man". The strong man in Cabinet will be Wu.

Idea is that Premier and Vice Premier, together with Chang Chun, Chen Li-fu, Chang Chih-chung, and Wong Wen-hao as ministers without portfolio will form the policy-making "super Cabinet" while those holding the various portfolios will take orders from above. Those who will occupy the functional ministries are still being discussed, but with few changes it is believed they will be same as at

⁵⁶ Lt. Gen. Chen Chang-chieh.

⁵⁷ See despatch No. 106, December 22, from the Consul General at Peiping, vol. VIII, "International Refugee Organization".

present with exception of Wang Shih-chieh whose post will be temporarily taken by Wu Tieh-cheng in addition to his other duties.

STUART

893.00/12-2148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 21, 1948—5 p. m.

[Received December 22—8:22 p. m.]

2598. Personal for the Secretary. May I outline below my personal views re political outlook in China and bearing of this on American policy. This is partly for record but chiefly in order to have full benefit of your instructions.

As you are well aware my original hope had been that by military aid to Chiang Government, especially in form of advice upon which all else would be conditioned, it might have been possible to keep area south of Yangtze intact and clear coastal region from Nanking northward of militant communism. It would have been expected that again with American technical advisers and economic aid there would be improvements in local government and in people's livelihood which would compare favorably with conditions in Communist territory. National Government would guard its frontier but carry on no aggressive warfare against Communists. This would allow public opinion to take form in both sections and be basis for some sort of negotiated settlement. Whether this would have proven practicable and results have justified our efforts now is immaterial.

Dealing with present realities one must begin as always with President Chiang. It is distressing to observe how completely he has lost public confidence in recent months and how widespread is desire he retire. This sentiment is shared by most officials of all ranks in Government and is almost universal among politically conscious citizens. Opposition to him is primarily because of conviction that war as he has been conducting it is hopeless and is bringing upon people almost unendurable economic and other distress. View is not infrequently expressed that he is best asset Communists have. It is ironical therefore that he refuses to turn over active direction of affairs as he has been repeatedly advised to do because this would be in his opinion tantamount to allowing Communists overrun country. Issue is thus confused in his mind as apparently in case of many in US as though American military aid to him were only alternative to complete Communist domination of China. But it would be in violation of basic principle of democracy to maintain in power man who has lost support of his own people. It would arouse

greater sympathy for Communist cause and violent anti-American feeling.

In any case our military men all seem to be agreed that such aid would be too late, even under new leadership. It is probable that resistance groups will carry on for some time in south and west and may form a loose federation. But our military aid to these would at this state be in my opinion very unwise and would certainly complicate matters in coastal provinces and central area.

Government leaders are all constantly asking what American policy is going to be or what our advice to them would be or, more insistently, whether it would not be in order for us to advise President to retire or go abroad for trip or in some way eliminate himself from absolute control of affairs. He meanwhile is coercing Sun Fo to form new Cabinet without delay but new Premier, in addition to having undergone rather painful operation and being met by refusals as he invites one or another of inner circle of party members, is being thwarted by President's interference as he attempts to make up his list. Dr. Sun is therefore in mood of frustration and Government lacks even semblance of functioning Cabinet. President has been advised by various people to organize small emergency [group?] in Cabinet to which he could delegate full administrative authority while he exerted only his constitutional prerogatives. It is generally recognized that this would only be possible if he withdrew to Kuling or elsewhere under some pretext which at present he has no serious thought of doing. However, after having repeatedly tried without success to persuade Hu Shih to become Premier, he has induced him to come to Nanking for consultation. He is proposing that Hu form a sort of advisory group as "braintrust" but as Hu points out this would be in effect paper-cabinet and would have no more real power than one it would supersede.

On December 17 I had long talks, in each case at their request, with Sun Fo and Hu Shih, and these only served to accentuate quandary that Government is in. The conversation with Hu was especially saddening because he represents finest type of patriotic idealism in his attempt to be loyal to Chiang Government. Hu's argument is that Communism is so implacable and intolerant, so diabolically thorough in its indoctrination and so ruthless in enforcing its totalitarian control even in China that Chiang Kai-shek should be supported despite his shortcomings because he alone sees this and has been uncompromising in resisting it, also because he almost alone among Kmt leaders has been free from taint of avarice or other typical vices of Chinese officialdom. He believes that if Chiang were forced to retire Central Government would disintegrate and Communists take over virtually on their own terms. He wonders therefore if America could even

now be persuaded to recall JUSMAG and assist Chiang in carrying on war rather than allow Communists dominate country and mold it to their own ends. Tears came to his eyes when he asked me, on basis of our long friendship, to tell him what he should say to President Chiang and what else he could do now that he had determined to give up academic career for service to nation. I told him that primary weakness of Chiang Government was moral rather than military, in sense that troops had lost fighting spirit and people had lost confidence in Government's ability to provide for them as well as in cause for which they were being asked to suffer. America was powerless under these conditions. I had repeatedly urged upon President Chiang supreme importance of rallying public opinion behind him but had failed. I wondered if Hu could lead in another "new thought movement" or "literary revolution" on issues of freedom and democracy as he had done with brilliant success 30 odd years ago. He said he bitterly regretted not having used talents in this field since VJ day rather than selfishly returning, as he had, to more congenial academic activities. This lengthy comment is to prepare way for discussion of our policy if coalition government will in course of time be formed. Presumably CP will dominate at outset. But whether they continue to do so or will allow their original [position?] to be diluted or modified will depend on number of factors. One of these is extent to which non-Communist elements will participate and exert liberalizing influence. Another is necessity for CP to adopt tolerant course at beginning because of their own limitations. This would doubtless be nothing more than temporary tactics but in that period interaction between their own ideology and more liberal ideas might have permanent effects.

But I am more than ever convinced that American policy will be most influential among as yet undetermined factors. Chinese Communists as they are now and characteristics of other Chinese are alike fairly well known. Former will be relentless in pursuing their objectives but surprisingly flexible in method.

If we are willing to continue economic aid on certain conditions, such as the basic freedoms, we can stop this whenever conditions are infringed upon or threatened and make public the reasons. Such aid might emphasize industrial projects and rural reconstruction rather than relief. In this framework all the voluntary agencies might be encouraged, educational, religious, etc. Our own official publicity would be extremely useful. In all our public and private activities we might put emphasis largely upon constructive gestures, our desire to help Chinese people, our advocacy of democratic institutions and free international intercourse, our traditional support of China's national independence, rather than engaging in too much overt criticism of Marxist philosophy or expansionist aims of USSR.

This is on assumption that we have only two sharply defined alternatives of staying with whatever new government takes form or withdraw off completely. Former would derive from conviction that communism can be fought by other means than military force and can only in long run be defeated by these.

One final word. I cannot avoid impression that organized institutions, commercial, religious, educational, as well as governmental, tend to be fearful about progressive movements, especially when these seem to be dangerously radical. They tend therefore to support *status quo* rather than encourage what is new and strange. I earnestly hope that American Government will not, in its wholly justifiable hatred of international communism, fail to recognize indisputable elements of progress and reform in its Chinese variety which have so powerful an attraction for more idealistic of Chinese youth, in contrast with now decrepit Kmt which has long since lost most of its earlier youthful and heroic spirit of adventure. It may be naively visionary but I dare to believe that despite all suspicion, bigotry and perversion of Chinese communism, it can with our assistance be grafted on to this ancient culture with fruition better than either of dominant parties could alone produce, and that experiment is in any case better than abandoning China to her fate and is abundantly worth effort. If in China also communism follows its familiar pattern and clamps down on fundamental freedoms we can be fairly confident that sooner or later somewhere on fringe of national life young leader will arise in tradition of Sun Yat-sen, Chiang Kai-shek, Hu Shih and many others in China's long history, who will rally people in new revolutionary movement against this latest reversal to reactionary tyranny. When we have evidence that new movement has vitality and public support we can give it our unstinted assistance. Meanwhile we should in my opinion maintain flexible policy of helping Chinese people make their will articulate and improve their livelihood leaving it to CP to decide whether our assistance is worth price of personal and national freedom, and making it known to world if they prefer to enforce their exclusive system and their subservience to Soviet Union.

STUART

893.002/12-2248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 22, 1948—5 p. m.

[Received December 23—7:02 a. m.]

2604. Secretary General⁵⁸ outgoing Cabinet informs us Central Political Council Kmt, with Generalissimo presiding, approved this

⁵⁸ Li Wei-kuo, Secretary General of the Chinese Executive Yuan.

morning new Sun Fo Cabinet. He confirms constitution [of] "political" super policy-making Cabinet of Ministers without portfolio, including Chang Chun, Chang Chih-chung, Wong Wen-hao, Chen Li-fu, Chang Li-sheng⁵⁹ and Chu Chia-hua, latter Education Minister previous Cabinet. Wu Tieh-cheng will be Vice Premier and temporarily occupy also office Foreign Minister. Hsu Kan is retained as Finance Minister and Yu Ta-wei as Minister Communications. Senior Ministry, that of Interior, will be filled by Hung Lan-yu, a Secretary General [of] National Assembly. Defense Minister will be Hsu Yung-chang who was chairman, Overseas Chinese Affairs Commission, during war and former director War College, northerner and friend of Yen Hsi-shan,⁶⁰ Education Minister is Mei Yi-chi, President Tsinghua University, Peiping, who arrived Nanking only yesterday. Industry and Commerce Minister will be Liu Wei-chih, head of Overseas Chinese Affairs in Wong Wen-hao Cabinet. Overseas Commission chairman will be Sir Chak Chen [*Tai Kwei-sheng*]. Health Minister will be Robert Lim. Hollington Tong will be replaced in Govt Information Office by Shen Chang-huan, former secretary to Generalissimo and presently director protocol, Foreign Office. Public announcement Cabinet is anticipated for tomorrow.⁶¹

Although election President and Vice President Legislative Yuan to succeed Sun Fo and Chen Li-fu must be effected that body, CPC⁶² also selected this morning as President, Li Pei-chi, northerner from Hopei Province and Governor Honan during war; as Vice President, Liu Chien-chun, prominent in Youth Corps.

Our informant said Cabinet was better than he had expected, and answered our query as to whether it is peace or war Cabinet by saying that as Communists would obviously not accept peace which did not assure Communist-dominated China, Cabinet would of necessity endeavor continue resistance. He tacitly admitted Wu Tieh-cheng would likely be real head Cabinet with Sun Fo being figurehead only. (See Embtel 2597, December 21). Li's place as Secretary General Executive Yuan will be taken by Tuan Mu-kai and Li plans accept private position China Petroleum Corporation.

Although announced intention Cabinet is to carry on war until honorable peace is possible, there is already evidence certain members Cabinet, possibly Chang Chih-chung, are seeking to force issue of peace by making matter subject public discussion in hope influencing Generalissimo reverse his hitherto adamant stand. Tending to confirm this is widely published UP report from "unimpeachable" source

⁵⁹ Former Vice President of the Executive Yuan.

⁶⁰ Taiyuan Pacification Commander and Governor of Shansi.

⁶¹ Reported in telegram No. 2611, December 23, not printed; it added further details (893.002/12-2348).

⁶² Central Political Council.

that Generalissimo willing resign if new Cabinet agrees resumption peace talks with Communists. Given known desire some members Cabinet for negotiated peace, we find it easy to believe that Generalissimo pressed on subject was influenced to agree in his inimitable style that at right time and right place he might consider negotiated peace. Those wishing to press issue may have leaked the information in hope public pressure would force Generalissimo go along with tide public opinion. Regardless, therefore, of what else new Cabinet may accomplish, we may expect continued jockeying for position of those for and against peace at almost any price. Situation is not clarified by fact that we have:

1. Cabinet of Ministers with portfolio which will largely carry out policy directives received from above;
2. What purports to be a super Cabinet of Ministers without portfolio charged with forming policy;
3. Dr. Hu Shih who is forming a special advisory group at Generalissimo's request to advise Generalissimo; and
4. The Generalissimo himself who, in the last analysis, will make the decisions.

Sent Department, repeated Shanghai 1306.

STUART

893.00/12-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 23, 1948—9 a. m.
[Received December 23—7: 51 a. m.]

2606. In connection with increasingly strict CCP control on foreign evangelical activity in Tsinan reported in Tsingtao telegrams to Department 222, December 18 and 224, December 20,⁶³ we would observe that these controls coincide closely with famed article 124 of Soviet Constitution of 1936 which states, in part, "freedom of religious worship and freedom of anti-religious propaganda is recognized for all citizens". It appears that in Tsinan as well as in USSR there is now no "freedom for religious propaganda".

We assume that this change from relatively favorable situation of foreign missions in Tsinan which first followed Communist occupation of city largely reflects changeover from military administration to civic administration by CCP political workers.

Sent Department 2606, pouched Tsingtao.

STUART

⁶³ Both telegrams are printed in vol. VIII, "Evacuation of Americans from China" (Ch. II).

893.00/12-2348 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, December 23, 1948—7 p. m.
 [Received December 24—3 : 52 a. m.]

3005. Fear I did some injustice to my Chinese colleague in mytel 2936, December 16. In talk this morning he opened by expressing his great apprehension lest well meaning American friends try to influence Chinese to accept government coalition with Communists and begged me to do what I could to make dangers of such course clear. He said that while he used to believe cooperation and even coalition with Communists possible he had since seen enough from Moscow to realize that coalition would be the only sure way to lose all of China. He feels, however, that if such compromise can be prevented Chinese situation will follow traditional pattern with warlords breaking off and eventually Nationalist sentiment re-emerging. He personally hopes this can center around Kmt and that latter's base will be broadened, without inclusion of Communists, enough to rally the support of real liberal elements now supporting Communists.

Sent Department, repeated Nanking 55.

SMITH

893.00/12-2448 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 24, 1948—2 p. m.
 [Received December 25—12 : 34 a. m.]

487. Two of city's leading Chinese businessmen called me this morning, gave me copy telegram signed by 36 most prominent local Chinese civilians including merchants, bankers, industrialists, gentry, professional men, educators, et cetera. Telegram sent December 22 to Fu Tso-yi, Peiping, garrison commander, mayor Tientsin. Summary follows :

We, Tientsin citizens, view with grave concern movement troops into heart of city and preparation being made for street fighting. Tientsin first port of North China and commerce and industry built up through long years of work. We feel that you and your officers, patriotic and loyal to people, would abhor to see tragic loss of life along [among] 2 million inhabitants of Tientsin and wanton destruction of valuable property. We feel obliged to request and propose that, as Tientsin is place where Chinese and foreigners live together and is a city of [on] which livelihood of people depends, armed forces should be cleared out of city and garrisoned in outskirts, so that rav-

ages of war may be reduced to minimum. As no war can continue indefinitely, so must this war cease some day. But war destruction will take generation to recover. We fervently pray that you will bend every effort to avoid disastrous eventuality for good of country in general and Tientsin in particular. (End of Summary.)

My callers said copy of telegram sent to all local Chinese papers yesterday but publication suppressed by garrison commander. They are also giving copies to British and French Consuls here.

Present actions of Government military incredible unless seen. Sand bag pillboxes, street barricades, machine guns being erected all over central part of city, particularly ex-Italian, ex-French and ex-British concessions. Machine gun placements field of fire limited many cases only to other side of street. Thousands of troops being brought to center of city to man barricades and armed sentries abound, but few soldiers in outlying parts of city although defense moat around it is manned. Former Haialai Sports Building ex-Italian concession made munitions depot. Chinese merchants and civilians bricking up stores and gates defenders. Outside defense moat, Government troops destroying houses, farms, then forbidding refugees enter city despite intense cold. Artillery firing during recent nights, apparently Government forces shooting up villages. Apparently only fighting to date minor skirmishes.

Very strong local Chinese revulsion against Government military, including General Fu, for bringing troops in city, senseless destruction property, seeming preparation for street fighting in center city. All Chinese civilians here want peace and nearly all talk of welcoming Communists as "liberators from so-called protectors."

Sent Department as 487, repeated Nanking as 721, Shanghai as 664, Peiping Tsingtao.

SMYTH

124.936/12-2448: Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, December 24, 1948—5 p. m.

1882. Mme Chiang has informed Secretary she has recd word from Gimo that Amb has indicated desirability ChiGovt entering into peace negotiations with Comms. She also indicates Philip Fugh may have had some connection this matter.

As stated Deptel 1852 Dec 17 Dept considers coalition govt China strictly Chi responsibility and desires no responsibility whatsoever be attributed this Govt for formation, composition, or basis such govt. This tel also stated Emb should participate in no way either formally or otherwise in discussions or maneuvers leading thereto

and that this represented reiteration US Govt position reviewed previous related communications.

You should take steps ensure no member Emb staff or anyone connected with Emb participates any action contrary sense foregoing instructions which could be interpreted as indication or implication this Govt encouraging or suggesting ChiGovt negotiations with Comms.

LOVETT

811.20200(D)/12-2448

The Secretary of State to the Ambassador in China (Stuart)

No. 249

WASHINGTON, December 24, 1948.

The Secretary of State refers to United States information policy in China, in particular the Embassy's telegram No. 2015, October 27, 1948.

1. The Department concurs with the Embassy that one major aspect of the information program is the campaign to strengthen opposition to world communism, but the Department's views on how this can best be accomplished differ somewhat from those expressed in the reference telegram. The Department believes the reference telegram tends to give impressions of the Department's present information policy and output which are misleading, or subject to misunderstanding.

2. The reference telegram states: "We must expend all energy in fight against communism and drop long-range objectives for time being." The Department disagrees only in degree. A circular airgram of December 8, 1947,⁶⁴ announced the Department's new information policy in relation to world communism and the decision to cite publicly and answer communist propaganda against the United States. This policy was amplified in a circular instruction of July 20, 1948,^{64a} containing the following seven information policy objectives which remain the basic guidance for all media, both in Washington and in the field:

a. "To report the truth objectively and factually in the dissemination of information through all media available.

b. "To influence opinion in third countries in a direction favorable to the attainment of United States national objectives.

c. "To win more positive support abroad for United States policies and to gain a more sympathetic understanding of United States actions.

d. "To counteract the effectiveness of the anti-American propaganda campaign in third countries.

⁶⁴ *Foreign Relations*, 1947, vol. IV, p. 630.

^{64a} Vol. I, "U.S. National Security Policy".

e. "To diminish the acceptance of and belief in, false or distorted concepts about the United States in third countries.

f. "To gain acceptance, among the peoples of third countries, of the truth about the policies and actions of the USSR and its satellites with a view to strengthening opposition to the USSR and to communist organizations.

g. "To increase materially knowledge among the peoples of third countries concerning the United States, its policies, actions, life and institutions."

All of the above seven objectives are aimed, in a broad sense, at strengthening United States interests against world communism. But in a narrow sense, only a small fraction of the information output attempts to discuss the evils of communism. If the Department correctly understands the reference telegram, the Embassy is recommending that the entire information output in China be devoted to the subject of communism. The Department cannot agree, and proposes no change in the above seven information objectives at this time.

3. One consideration against devoting the entire output to attacks on communism is the fact that USIS services to the Chinese press and rebroadcasts of the Voice of America in China involve acceptability to foreign editors. To make USIS materials credible to such editors and the ultimate audience, the only effective policy is to restrict the newsfile to daily news events and comments thereon by responsible United States Government and private leaders.

4. Moreover, in view of existing attitudes of the target audience in China, it is doubtful whether USIS could hold its audience interest if it devoted its entire output to communism. The Department and Embassy have reached a general understanding on identity of the USIS target audience in China and existing audience attitudes (Instruction No. 71, April 26, 1948, and Despatch No. 270, June 9, 1948⁶⁵). It was agreed that the majority of the target audience deplore Kmt corruption, oppose the continuance of the civil war, sympathize with the avowed economic and social reforms of the Chinese communists, regard the United States as a contributing factor to China's postwar troubles, and do not sufficiently realize that a communist victory would mean Soviet domination. Other reports to the Department from the Embassy, Consulates and private United States citizens in China indicate a recent intensification rather than a reversal of these attitudes. An American professor at Peiping wrote to the Department October 19, 1948,⁶⁶ that educated Chinese there, while not actively supporting the Communists, are resigned to their coming, feel conditions under the communists could not be worse than those under the Kmt, and feel resentment against the United States because

⁶⁵ Neither printed.

⁶⁶ Not printed.

they believe the aid program is prolonging the suffering of the Chinese people.

5. The reference telegram stated: "We can no longer afford to waste time detailing life in America." The Department believes the framework of an effective information program against world communism is the affirmative statement of United States views on the principal world developments. Thus the bulk of the newsfile continues to be the official texts of statements by the President, the Secretary of State, and other Government spokesmen, including Congressional figures, on such issues as the foreign aid programs, Berlin blockade, and Korea, which are major issues between the democracies and world communism. However, selected information on the United States domestic situation is also essential in fighting communism for several reasons. The communists are attacking the integrity and motives of United States Government leaders. Such charges as warmongering, economic imperialism under the guise of aid programs, and territorial aspirations are answerable only partly through direct denials and call for a wider knowledge of the motives and aspirations of the American people and their control over their own government. Communist accusations and foreign misunderstandings about the United States often relate to domestic conditions, such as an impending economic crash in the United States, lack of culture in the United States, race discrimination, and labor exploitation. If the United States is to win and retain moral leadership it must continue to discuss domestic conditions in the United States.

6. The reference telegram states: "Since government has failed to win people to its cause, we must at least wage bitter fight to limit our resources spotlighting predicament Chinese people will face if communists or communist-dominated coalition government gain control China." The Department believes USIS can best give to the Chinese audience a realization of the consequences of a communist victory by continuing to cite what happens in countries outside of China when communists attain power, and will attempt to provide a maximum amount of such material.

7. The reference telegram states: "USIS program must immediately be strengthened in all media." The Department agrees that improvement is always possible in the selection of news and production of other information materials, and needs concrete suggestions from the Embassy to amplify the recommendations in the reference telegram.

a. Newsfile. The Department does not believe that the present news output to China has constituted "painting bright picture of US," and suggests that the Acting Director of USIS submit with the Embassy's comment a review of the past months' newsfile, pointing to specific stories which were not needed and specific additional stories which

the USIS believed could have illustrated the dangers of world communism.

b. Newsletter. The Department considers the USIS newsletter to be the most effective method for reaching the influential middle group of educated Chinese, if the newsletter continues to employ the rapier technique and not the broadsword—that is, if it uses perhaps 90 per cent articles on bona fide current developments and 10 per cent selected anti-communist materials. Heretofore, USIS has filled the 10 per cent primarily with magazine reprint materials from Washington. The Department has begun preparation of a new series of research papers on communism, the first of which were recently sent to the Embassy (Circular Instruction of November 3, 1948).⁶⁷

c. Pamphlets. The Department has felt that a USIS pamphlet program could also be effective on the subject of communism, and has commanded the Acting Director of USIS on one such pamphlet (condensation of the House of Representatives report on world communism). The Department would like from the Embassy specific recommendations on pamphlets to be prepared in Washington and published in Shanghai, serving to point up the communist menace.

d. Motion Pictures. The motion picture program has not been considered useful for short-range objectives, since over a year is generally required for a new production and the cost of production precludes special films for individual countries.

e. Posters and Filmstrips. Heretofore, the Department has not attempted to utilize the poster and filmstrip programs for discussing communism. The Embassy is requested to submit specific suggestions on suitable picture materials which could be used for posters or filmstrips and serve an effective anti-communist purpose, taking into consideration the target audience attitudes mentioned in paragraph 4 above.

f. Translation Program. The Embassy recommendation for a program of translations of American books has been incorporated into the Department's 1950 budget, but there are no appropriated funds available for this purpose at the present time.

g. Libraries and Other Activities. The Department would welcome concrete proposals for changes in any other existing information media.

8. The reference telegram seems to suggest that USIS should carry no criticism of the Kmt. The Department believes credibility of USIS output is enhanced by the continued reporting to China of a consensus of US editorial opinion on China, not excluding representative criticisms of the Kmt and United States policy.

9. The reference telegram recommends that "every useful fact on our ECA aid program must be seized to show our support of all who fight against communism." The Department's information policy on ECA toward both Europe and China stresses ECA's positive contribution to recovery as the best defense against the spread of communism

⁶⁷ Not printed.

(Department telegram 270, February 17, 1948⁶⁸). The Department considers the press statement by Harlan Cleveland (Embassy telegram No. 1995, October 26, 1948⁶⁹), stressing the benefits of the aid program to the Chinese people, an excellent example of adherence to this policy. The Department has been sending all available facts on the China aid program with the expectation that USIS will provide the necessary re-write service to meet specific Chinese criticisms.

893.002/12-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 26, 1948.

[Received December 26—3:41 a. m.]

2621. Formation of China's new Cabinet evoked considerable initial comment in Nanking vernacular press. Official Kmt organ points out following distinct features of new Executive Yuan:

(1) Great emphasis placed on ministers without portfolio whose opinions will influence formation of policies.

(2) Tremendous change in Cabinet lineup as compared with past which proves Dr. Sun is truly empowered.

(3) Inclusion in new Cabinet of various cliques of Kmt and members of minority party in Legislative Yuan which will achieve unity and strengthen war front.

(4) Support of Legislative Yuan since Cabinet formed by such influential members as Sun Fo, Wu Te-chen and Chen Li-fu. Finally papers expressed hope that new Cabinet will seek to create new war strength south of Yangtze River in order support bandit-suppression campaign in areas north of Yangtze.

CC clique daily reiterates demand for amalgamation of unnecessary Government bureaus in order increase administrative efficiency, employment of new and capable men and dismissal of inefficient Government employees. Improved treatment and higher wages for Government workers to eradicate corruption and increase efficiency, elimination of "bureaucratic" habits in new Cabinet. Suppression of powerful and wealthy families and increased agricultural industrial production.

Army organ editorially expresses regret over long delay in formation of Sun Fo's Cabinet which paper claims caused rise of peace rumors affecting public morale. Points out that problem confronting new Cabinet is not question of peace or war but rather problem of intensifying fight against Communists. Domestically paper states total war must be carried out and diplomatically sympathy and large

⁶⁸ Vol. VIII, "U.S. Economic Aid to China" (Ch. I).

⁶⁹ *Ibid.*, (Ch. IV).

scale aid must be sought from friendly nations in order attain victory.

Other comment came from local tabloids which criticized formation of "Cantonese Cabinet" with removal of former members from North China. Nanking's independent sheet called attention to Sun Fo's press conference for foreign newsmen pointing out that "victorious peace" had been misinterpreted as "honorable peace" in foreign press and claimed Sun Fo would make correction in near future. Paper also predicts radical change in China's diplomatic representatives including possibility that Hu Shih might assist in foreign relations with US; Wang Shih-chieh might become Ambassador to England and Shao Li-tze might replace Fu Ping-chang⁷⁰ as Ambassador to Russia.

Sent Department 2621; repeated London 7. Pouch Moscow.

STUART

S93.03/12-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 26, 1948—1 p. m.

[Received 11:35 p. m.]

2622. Tung Kuan-hsien, former North China CNRRA⁷¹ head, elected new President Legislative Yuan December 24. Liu Chien-chun, former Youth Corps officer, also previously connected with Tai Li,⁷² elected Vice President.

Tung's election a direct rebuff to Generalissimo, as he was supported by coalition consisting of youth corps, Wu Tieh-cheng group, Li Tsung-jen group and independents against Li Pei-chi, who was hand-picked by Generalissimo, nominated by Central Political Council, and supported only by CC group. CC clique suffered another blow in vice presidential election when their candidate Cheng Tien-fang⁷³ was defeated by same coalition.

STUART

S93.00/12-2648 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, December 26, 1948—5 p. m.

[Received December 26—5:13 a. m.]

2891. During call made by officer of Consulate General on Carsun Chang at Chang's invitation, Chang made statement to following

⁷⁰ Known as Foo Ping-sheung.

⁷¹ Chinese National Relief and Rehabilitation Administration.

⁷² Former Deputy Director of the Bureau of Investigations and Statistics (Chinese secret police organization).

⁷³ Member of the Chinese Legislative Yuan.

effect: Some Cabinet members, including Chang Chun, have asked Carsun Chang to sound out US policy in the event that Generalissimo resigns. Believing it US Government's wish that Generalissimo resign, Cabinet members request US indication support of a succeeding non-Communist Government (which Chang in response to inquiry said would presumably be headed by Li Tsung-jen) in order strengthen Government bargaining position with CCP in peace talks to follow. Apparently possibility US aid is sole remaining card in Central Government's hand with maximum hoped for result being retention by non-Communist regime of area south of Yangtze. Before Generalissimo will resign, American aid must be arranged informally. Chang Chun (according to Carsun Chang) feels it impractical approach Embassy directly but would be glad visit Shanghai to discuss matter with whatever representative Embassy might designate in event that American Government's attitude favorable. Should American Government be unwilling even to discuss above project, Generalissimo will stubbornly retain control with resultant total collapse of anti-Communist front.

Carsun Chang anxious receive some indication of US Government's reaction to this approach if possible within next few days.

Following our constant policy, officer of Consulate General carefully refrained from any commitment or encouragement other than agreeing to report matter to me.

Sent Nanking 2169, repeated Department.

CABOT

893.00/12-2748: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 27, 1948.

[Received December 27—2:52 a. m.]

2623. Following broadcast December 26, north Shensi station:

"Commander Lin Piao and Political Commissar Lo Jung-huan, on behalf of northeast People's Liberation Army, cabled congratulations to People's Liberation Armies on Hsuehow-Pengpu front.

"Telegram congratulates east China and central plains People's Liberation Armies on liberation of strategic railway city Hsuehow and annihilation of Huang Wei Twelfth and Sun Yuan-liang Sixteenth Army groups. It also congratulates them on present campaign in which they are annihilating another two encircled army groups under Kmt east China Deputy Commander General Tu Yn-ming.

"The telegram states that Manchurian field armies are coordinating with North China brother troops to annihilate Kmt troops, take

Peiping and Tientsin and liberate all North China. This is also 'to coordinate with you in speedy nationwide victory', telegram adds."

Sent Department, pouched Shanghai.

STUART

893.00/12-2748 : Telegram

The Chargé in the Soviet Union (Kohler) to the Secretary of State

Moscow, December 27, 1948.

[Received December 27—10 a. m.]

3018. *Pravda* December 25 carried six-line north Shensi Tass despatch reporting capture Kalgan by National Liberation Army with all defending Kuomintang troops liquidated or taken prisoner.

Sent Department 3018, repeated Nanking 56.

KOHLER

893.001 Chiang Kai-shek/12-2748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 27, 1948—6 p. m.

[Received December 28—8:30 p. m.]

2628. I have been informed by Vice President's ⁷⁴ secretary, Kan Chieh-hou, that Gimo has expressed willingness to retire but is concerned about the fate of his soldiers and feels unable to step out of picture until some kind of provision has been made for their future. According to Kan, this decision was imparted to new Secretary General of Kmt, Wu Chung-hsin, ⁷⁵ who promptly informed Chang Chih-chung, Chang Chun, and Wu Tieh-chen. These 3 in turn called upon the Vice President yesterday afternoon to discuss this new development with him. Following their conference, Li Tsung-jen went to see the Gimo where he was later joined by the other 3 plus Chen Li-fu. These 5 Government leaders stayed with the Gimo until 11:30 Sunday night. The result of their conference is not yet known.

While we are withholding comment pending further developments, this report was lent some credence by recent message from Pai Chung-hsi advising Gimo to retire. Implication was, according to this unconfirmed report, that Pai would withdraw his military support if his advice were not taken.

STUART

⁷⁴ Li Tsung-jen.

⁷⁵ Secretary General of the Office of the President, not of the Kuomintang.

893.00/12-2848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 28, 1948—11 a. m.

[Received December 28—2:47 a. m.]

2632. [To Shanghai:] Suggestion of Carsun Chang contained urtel 2169, December 26, 5 p. m.⁷⁶ appreciated. However, Chang Chun has access to Ambassador and other Embassy officers here and trip to Shanghai for this purpose unnecessary.

Sent Shanghai 1316, repeated Department.

STUART

893.00/12-2848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 28, 1948—5 p. m.

[Received December 28—11:40 a. m.]

2638. Vice President was not among those who called on Generalissimo Sunday night as reported my 2628, December 27, although conference did take place with other four. According to our information Generalissimo prefers not to see Li Tsung-jen until procedure for his retirement has been worked out. Sunday night's conference resulted in the four carrying message from Generalissimo to Li describing military reversals etc. as reasons why he wished to retire and looked to Vice President to carry on. Li was authorized in message to do whatever seemed to him best for country.

On basis of this message Vice President conferred Monday morning with Chang Chun, Chang Chih-chung and Generalissimo's new secretary, Wu Chung-hsin, to work out concrete details which are briefly as follows:

1. Generalissimo will issue proclamation to effect that, although he is aware of grievous sufferings of Chinese people, he cannot compromise with Communists because he has no confidence in their sincerity; that he is therefore resigning in favor of Vice President who will be free to make his own decisions.

2. Li will then issue open proposal to Communist leader Mao Tse-tung for cease-fire order and resumption of peace talks together with declaration of policy of Kmt Government. The negotiators, except Li, saw Generalissimo last evening and with his approval are this morning (Tuesday) drafting text of his proclamation to be published as soon as possible. If Communists reject armistice proposal, Li will appeal to Big Four nations to mediate.

We are forced to give credence to reports of these surprising developments because of obvious difficulties in arriving at agreed draft

⁷⁶ Repeated to the Department as telegram No. 2891, p. 687.

of two such important proclamations and uncertainty as to degree of finality of Generalissimo's decision. Our first thoughts are that such proclamation will have disastrous effect on whatever fighting spirit may still exist in Nationalist troops on North and Central China fronts; that Communists because of their military position will be intransigent and that Nationalist Government will find itself without its symbol of resistance in person of Generalissimo and incapable of regrouping Nationalists' forces for continued resistance following open peace move and anticipated Communist rejection thereof.

STUART

S93.00/12-2848 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 28, 1948.

[Received December 29—12:48 a. m.]

502. Full text of proclamation dated December 22 issued by Lin Piao as "Commander People's Liberation Army, Peiping-Tientsin front" and Lo Yung-huan, Political Commissioner, summary of which given in Peiping telegram 598, December 27 to Department,⁷⁷ repeated Nanking 848, Shanghai 574, Tientsin, Tsingtao) was received by many firms, individuals and organizations (including Consulate General) in Tientsin yesterday through ordinary mail.

Another document from "Liberation Army" was received by number of persons and organizations Tientsin by ordinary mail yesterday; translation of text follows.

"a. Discipline in cities and municipalities and policies pursued therein.

"1. After entry into city of Liberation Army with exception of garrisoning units, all other units shall within 12 hours withdraw from municipal area and industrial area.

"2. The Military Control Commission is highest executive authority in cities and municipalities. All party, military, political, financial and economic organs and army units are, after entry into city, under direction of Military Control Commission. After restoration of peace and order, municipal administration shall be taken over by municipal government.

"3. Without permission and certification of Military Control Commission, all organs and army units are strictly prohibited from buying things in city. The 'Min Kung', 'Min Wu' and other kinds of soldiers shall not enter city without pass.

"4. All personnel of party, political, army, financial and economic organs have responsibility to assist in maintenance of order, protection of organs, industries and materials, to propagate various policies

⁷⁷ Not printed; for text of proclamation, see despatch No. 520, December 29, from the Ambassador in China, p. 700.

and to arraign elements of destruction and trouble but they may not arrest or shoot any one at random. However, if there be in hiding 'Government special agents' who still offer resistance or make plot, these persons may first be arrested. Those who render meritorious service in this connection shall be rewarded.

"5. After entry into city there will be a special organ to take in scattered soldiers and wandering volunteers. In regard to the people in general, no slogan for general relief shall be brought forth but relief shall be given to those who are hard pressed in making a living.

"6. To protect firmly normal business of private industry or commerce. Those industrial or commercial establishments which are unable to carry on business or to make production on account of having sustained destruction or loss shall be given greatest possible assistance so as to enable them to resume business.

"7. To prohibit strictly the 'poorman's party' or other illegal 'rascals organization' or any individual to take advantage of occasion to plunder or to destroy anything. Those who are indicted for such offenses shall be severely punished.

"8. Custodian of national enterprises, public utilities and military organs, as well as of their godowns, shall assist soldiers to guard them to wait for taking over. These premises must not be used for other purposes and articles contained therein must not be moved out at random. Unless furnished with certification from Military Control Commission no one shall be allowed to take them over.

"9. All personnel in various national enterprises, municipal governments' organs and educational institutions shall be retained in their original posts and with original salaries. They shall work as usual and wait for the taking over. Those who render meritorious service in preservation of documents, files, appliances and material shall be rewarded. Those who destroy them shall be punished.

"10. Firm protection shall be given to religious bodies, foreigners' enterprises and diplomatic establishments⁷⁸ of various nations. No arbitrary disposal may be made of them. Protection shall also be given to foreigners.

"11. All 'government special agents', party-men, members of San Min Chu [I] Youth Corps shall, within specified period, register themselves at designated office. Excepting those who have committed offenses in past, magnanimous treatment shall be given to all.

"12. In dealing with war criminals and unlawful elements the spirit of principles of 'punishment to the leaders, pardon to those who have been coerced to follow, and reward to those who have achieved meritorious service shall prevail in all cases'.

"b. Policies in industry and commerce.

"1. To confiscate and nationalize 'bureaucratic capital'.

"2. To protect firmly private commercial business.

"3. To execute economic policy of 'expanding production, achieving economic prosperity, taking into consideration requirements of

⁷⁸ In airgram No. A-101, December 31, the Consul General stated that Chinese translators agreed that Chinese words *shih kuan*, which can mean embassies or legations, were used in a general sense and meant to include consular establishments as well (893.00/12-3148).

both private person and the public and promoting interests of both capital and labour'.

"c. Policies in education.

"1. To maintain existence of all educational groups and organs and proceed gradually with necessary and practicable reform.

"2. With respect to those engaged in work of education they will be reeducated and their standard raised."

Sent Department, repeated Nanking 731, Shanghai 677, Peiping, Tsingtao.

SMYTH

124.936/12-2848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 28, 1948—5 p. m.

[Received December 29—5 : 27 a. m.]

2640. I have been scrupulously careful to observe Department's instructions regarding present political jockeying Chinese Government circles (Deptel 1882, December 24, received December 27) although this has not been easy as Generalissimo and other ranking Chinese are in quandary and are constantly seeking my advice, insisting they desire it on a purely personal basis. In speaking with Generalissimo I have tried to disabuse his mind on possibility of increased aid from US in view of military reverses caused, in no small part, by his individual direction of campaigns and in view of failure military measures instituted last August. My position with him has not been made easier by the practically universal desire of Chinese people for peace. I have told Generalissimo I saw no hope of improvement in situation sufficient to warrant increased American aid unless he made drastic changes sufficient to rally public support, and have suggested such action would involve his relinquishment of emergency powers and his delegation of more authority, both civil and military, to others. Generalissimo has on his own initiative summoned Philip Fugh more than once in effort to learn more fully what I had in mind. Philip Fugh has merely amplified ideas I expressed as reported above. Pressure of situation has become so increasingly strong that among almost all Government leaders and in the public, there is demand for Generalissimo to retire.

As I stated earlier, I have endeavored scrupulously to avoid involvement, yet I find it impossible to refuse to listen to the many pleas which come to me. I have endeavored to maintain position that decision was up to Chinese themselves to make and should be based solely on the interests of the Chinese people.

I may add that no member of my staff, to my knowledge, has taken any action contrary to the sense of the Department's instructions in this regard.

STUART

893.00/12-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 29, 1948—9 a. m.

[Received 9:15 p. m.]

2643. I called on General Wu Te-chen, new Vice Premier and Acting Foreign Minister, yesterday morning. His concern briefly summed up is that Government has failed in its military action against Communists; that for first time new Cabinet has authority to decide such issues as peace or war; but that in announcement of readiness to consider "an honorable peace" there has been no response from Communists. He is, therefore, greatly puzzled as to what Communists want, and what American advice is.

I explained on this last that American hostility to communism and interest in welfare of China and her people were both unchanged but that it was inherently impossible for US to make any suggestions or promises that might influence solution of their present problems by Chinese themselves. I added that I had greatest admiration for resolute will-power of Generalissimo in fighting communism by military means, and that, whatever decision responsible leaders should make as to present crisis, I hoped they would all show that same resolute will in resisting the evils of communism by every available means. They ought not to think of situation as hopeless and irretrievable. They would probably have some very distasteful and even bitter experiences and outlook might seem very depressing, but more thorough cooperation among themselves and grim determination were called for. They should also win support of people in whatever course of action they undertook. I reminded him in leaving that US was watching with keenly solicitous interest and readiness to help in whatever ways might seem justifiable and effective when time came.

In course of conversation he raised question of the four other members of "Big Five" undertaking to mediate, and I explained difficulties. His mood is one of being quite aware of desperate military failure and on [of] bafflement over unresponsive attitude of Communists.

He apparently is unaware of negotiations in which Vice President has been involved (see Embtel 2544, December 16) or at least made no reference to them.

Sent Department; pouched Shanghai.

STUART

S93.00/12-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 29, 1948—11 a. m.

[Received December 29—9:55 a. m.]

2647. With clear imminence passage control large part of China, including its major food and industrial production centers, to Communists or fall [of?] coalition and in absence any possibility US military intervention on scale necessary to turn tide or hold present lines, we have been casting about for some means by which US Government might seize initiative from Kremlin in this area, loss of which implies such serious danger to rubber, tin and oil areas further south.

Is there any possibility that northern Korea constitutes an area in which a diplomatic offensive on our part might catch the Soviets off balance, with resultant repercussions not only in the Chinese Communist Party but throughout Asia? History of UN Commission might afford basis for adoption of forceful position in which other members of UN would join.

We realize serious risks and disadvantages would be involved. Nevertheless, we believe that it is essential without loss of time to regain initiative in Asia by positive action which would be within UN framework and backed by the possibility, in extremes, of applying force. Otherwise we will suffer the full consequences of major diplomatic defeat in China with all its ultimate strategic implications in Asia.

STUART

S93.00/12-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 29, 1948—5 p. m.

[Received 10:02 p. m.]

2651. I believe it only fair to report that my views of future aid policy toward China as expressed in my Top Secret telegram 2598 of December 21 are not shared by senior members of my staff. A differing view which they hold with sincere conviction may be expressed as follows.

Given present military position, any coalition government, which might be formed, would inevitably be dominated by Communists. Even apart from our experience in Europe with Communists or Communist-dominated coalition governments, there is evidence to support belief that Chinese Communists are not basically different from Communists in any other country. Such evidence includes Mao Tse-tung's readiness in 1943 to give allied invasion of Europe priority over Pa-

cific war; recent CCP pronouncements of unity with USSR and hostility toward US made by Mao Tse-tung and Liu Shao-chi (reEmbtel 2273, November 21 and Embassy's airgram 293, December 6); and most recently, CCP blockade communications of American, British and French Consuls General in Mukden.

Accordingly it would seem reasonable assumption that a Communist-dominated government in China would be hostile to US interests and in consequence should not be assisted by American moral or material support. On contrary, US policy should be adoption corrected nonbenevolent attitude. This attitude would not prevent our moral encouragement to truly democratic elements and resistance leaders in China, nor would it prevent continued private business interchange of nonstrategic materials and the vigorous protection of American business, educational and spiritual investments in China.

It can be argued that present China aid program, or at least rice and wheat, should be continued on grounds that such aid would benefit Chinese people and reassure them as to our basic sympathy for them. Such continued assistance, however, would seem to be contrary to expressed purpose of China Aid Act ⁷⁹ which is declared in title IV to be ". . .⁸⁰ to encourage the Republic of China in its efforts to maintain genuine independence and administrative integrity of China and to sustain and strengthen principles of individual liberty and free institutions in China . . ."

Moreover, we must not overlook fact that aid to the people is likewise aid to government in power. We learned during 4 years of war futility of trying to help Russian people as distinct from Soviet Government. In early post-war period we have learned lesson that aid designed to benefit peoples of Poland, Yugoslavia and other satellites in fact strengthened authority of Communist or Communist-dominated coalition governments. The CCP in China in its state organization, party organization, press controls, nationalization program and foreign trade monopoly follows familiar Soviet and Central Europe pattern. There is no objective reason to believe that economic aid from US would help the people more and strengthen Communist Government less in China than it has in the USSR and its satellites. Moreover, such aid, if given, comes not from US surplus but must be allocated at expense of our major economic effort to retain Western Europe industry and skilled labor force in democratic camp. Continuation of any such aid program on purely humanitarian grounds should, if considered at all, be responsibility of nongovernmental relief organization such as Red Cross.

We must be prepared for blandishments and skillful propaganda

⁷⁹ Approved April 3, 1948; 62 Stat. 158.

⁸⁰ Omissions indicated in the original telegram.

from a fake condition or Communist government, all designed to secure from US economic assistance which USSR cannot provide. We should stand firm, maintaining correct relations, protecting our existing interests and keeping a free hand to encourage liberal elements while awaiting the unpredictable which may permit more positive action on our part.

STUART

740.00116 PW/12-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 29, 1948—6 p. m.

[Received December 30—2:57 a. m.]

2654. As far as we know, CCP list of 45 Kmt war criminals broadcast December 25 and monitored by AP in San Francisco⁸¹ constitutes first instance such persons mentioned by name. Broadcast was not received by Embassy monitoring unit.

However, fact that CCP has black list is not news. Last November Chu Teh and Peng Teh-huai issued order on punishment such alleged criminals, warning that "offenders will be brought to justice in accordance with law no matter where they flee". Order defined war criminals all Kmt military, party or Government officials who guilty of slaughter, plundering, wrecking, burning, bombing, using poison gas *et al.* Order reiterated CCP manifesto last year on 36th anniversary of 1911 Revolution which stated that "such criminals will be punished, no questions asked of coerced personnel and those who do meritorious deeds will be rewarded".

STUART

893.001 Chiang Kai-shek/12-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 29, 1948—6 p. m.

[Received December 30—3:27 a. m.]

2655. Vice President called on me last evening and during protracted conversation confirmed developments surrounding Generalissimo's anticipated retirement as reported mytels 2628, December 27 and 2638, December 28. In true Chinese style he expressed to me his unworthiness to fill the high position and gave evidence of sincere apprehension at magnitude of responsibility and problems awaiting him. During this preparatory phase he has not seen Generalissimo, who continues to insist that he will receive Li Tsung-jen only after all

⁸¹ See despatch No. 524, December 30, from the Ambassador in China, p. 718.

arrangements have been made and agreed to. He reported that Generalissimo had been so aroused by Communist publication his name as war criminal (see my 2654, December 29) that he came near renouncing entire plan his retirement and "peacemakers" feared all their efforts in vain. While there is reported to be no fundamental change in plans and Vice President talks of fruition of plan in terms of days, I believe incident is indicative of constant uncertainty which surrounds any plan involving man of Generalissimo's temperament.

STUART

893.00/12-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 29, 1948.

[Received December 30—12:41 a. m.]

2657. In concerted effort stamp out prevailing peace rumors, Nanking's official Kmt organ prominently featured declaration by General Wu Te-chen, Deputy Prime Minister of China[']s new Cabinet, that new Government would continue fighting communism until Reds sue for peace. Wu was said to have emphasized that new Cabinet was War Cabinet and that although Government and people want peace, true peace for China depends solely on whether Communists can place welfare of nation and people before their own interests. President Chiang Kai-shek's similar statement to North China People's Political Council reiterating Government's determination to fight Communist-eradication war to end was also highlighted by most leading Nanking vernacular papers.

However, local tabloids began devoting more space to peace talks. Almost all tabloids attached great importance to lengthy conferences on Sunday between President Chiang, Sun Fo, Chang Chun, Chang Chih-chung, Wu Te-chen and Hung Lan-yu. One independent organ claimed following symptoms indicative of peace trend: (1) Wu Te-chen's comment that war will continue until Communists want peace instead of former policy of complete eradication of Communists, (2) failure of Communists to advance on Pengpu-Suhsien front, and (3) busy contacts among high ranking Government officials and delay in public announcement of new Cabinet's administrative policy.

Sent Department; repeated Shanghai 1335.

STUART

893.00/12-2948 : Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 29, 1948—6 p. m.
[Received December 30—5:33 a. m.]

608. ReContel 567, December 20. Yenching professor, cited Consulate's reference telegram, last night reviewed present position Fu Tso-yi as follows:

1. Delegate Li Chi-shen at time Nationalist collapse Manchuria told Fu that latter, in view new situation, should reach accommodation with Communists. Fu's position now much worse, and Fu feels he was in error failing act before. Present indications are that, where before he felt it more desirable await developments Central China, he presently feels himself in position wait no longer. Third meeting with Communist representatives previously scheduled (see Conrefotel) did not occur. There has as yet been no agreement. Fu's project is nevertheless to use such bargaining power as he still has by virtue his possession Tangku, Tientsin and Peiping to reach something in nature settlement with Communists. It is to be expected that Fu in near future will issue public proclamation proposing peace for North China on basis nominal desire save Peiping, Tientsin and their populations from destruction and miseries of war. This concept envisages establishment "local peace" for North China regardless developments Central China. Informant indicated belief Fu might make such public pronouncement without previous agreement with Communist side except "in principle", feeling realistic Communist would be prepared grant him acceptable terms on that basis. Informant's son appeared disagree with father's estimate, holding rather that at least understanding of surrender terms must precede Fu's taking public stand. Informant believed Communist castigation Fu as "major war criminal" constituted pressure to bring latter to terms. He remarked that present mobilization public opinion Peiping-Tientsin (see telegram 502, December 28, from Tientsin) constituted maneuvers designed to "force" Fu into position where he would be seemingly justified reach terms with Communists (current moves being possibly with Fu's former knowledge and consent).

2. Informant believed nothing now in progress at Shihchiachuang along lines conferences except perhaps preparatory work for future conference, presumably Peiping. Future conference Peiping, which would presumably follow political change this area, would be for purpose determining form new government structure. That government, which would be termed coalition, would represent clean break with old and compromise elements, Li Chi-shen group, Communists, Democratic League, partyless persons. Communists would refuse

present Kuomintang structure even by implication (therefore Li Tsung-jen excluded), decision National Assembly, national constitution and Legislative Yuan. Site new government would probably be Peiping although exists possibility establishment Nanking. Li Chi-shen considered favorite candidate for president. Informant indicated whether Mao Tse-tung would be Vice President was less certain. Communists would desire incorporate into their government large number non-Communist elements, this partly by reason their exigent need for trained personnel now lacking.

3. That coalition regime, as any other regime in China, would find it desirable and requisite maintain good relations with US in order obtain further American help in form credits and trade relations designed restore Chinese economy. Informant did not mention relief but stressed US only country in position extend economic aid.

AP correspondent Peiping received information indicating political turn-over North China may occur within week-10 days. Aforementioned informant indicated serious discussions were afoot and expressed belief public pronouncement might be forthcoming in matter of days. He expressed belief Fu no longer in position fight and was therefore under considerable pressure, all along indicated lines. High army man (Central Government) has suggested to member Consulate that Fu, like Yen Hsi-shan may leave for Nanking in next 2-3 days. This would, of course, outwardly run counter to project outlined by professor.

Sent Department 608, repeated Nanking 857, Shanghai 585, Tientsin.

CLUBB

893.00B/12-2948

The Ambassador in China (Stuart) to the Department of State

No. 520

NANKING, December 29, 1948.
[Received January 14, 1949.]

The Ambassador has the honor to transmit herewith a hectograph copy of the text, as broadcast by the North Shensi radio station December 24, 1948, of General Lin Piao's proclamation of December 22 concerning his army's administrative policies relating to newly-occupied cities.

It should be noted that the promises of fair treatment to law-abiding foreign and Chinese residents of occupied cities which are contained in General Lin Piao's proclamation have only a short history. As far as this Embassy is aware, they all flow out of a similar, but less detailed, proclamation directed at the residents of Tsinan by the People's Liberation Army on September 25, 1948. Similarly, out

of the Tsinan proclamation also flow the letters which Communists have recently sent to Chinese and foreign businessmen in Shanghai and Tsingtao promising them fair treatment and warning them not to sabotage their properties prior to the Communist take-over of those cities. The Chinese Communists have given so much publicity to these proclamations that it is apparent they regard them as important policy decisions.

In addition to observing that these promises have only a short and untried history, the Embassy would like to point out that both proclamations were issued by the People's Liberation Army. Whether the governmental and political apparatuses of the Chinese Communists will show a similar respect for the rights of others yet remains to be seen. Certainly the meager evidence so far received by the Embassy from Tsinan and Mukden indicates that the Communist political workers have not distinguished themselves by their graciousness toward foreigners in those cities.

[Enclosure]

Chinese Communist Radio Broadcast, December 24, 1948

PEIPING-TIENTSIN FRONT, Dec. 22—Peiping-Tientsin Front People's Liberation Army Headquarters under Commanding-General Lin Piao today issued the following proclamation:

This Army has orders to annihilate the Kuomintang troops and liberate Peiping, Tientsin, Tangshan, Kalgan and other cities. This Headquarters hereby announces the following eight articles to be observed by all people and the People's Liberation Army men:

Article 1: The lives and property of all people of these cities will be protected. It is hoped that all people will maintain order and continue at their present walks of life. If there are counter-revolutionary elements or other disruptive elements who took advantage of the situation to raise disturbances, loot or destroy, they will be punished without fail when their guilt is discovered.

Article 2: National industry and commerce will be protected. All private and government-operated factories, stores, banks, warehouses etc. will be protected against any encroachment. It is hoped that workers and employees of all trades will continue production and that all stores will do business as usual.

Article 3: Bureaucratic capital will be confiscated. All factories, stores, banks, warehouses, railroad, postal, telegram, telephone, electric light and water facilities etc. operated by the reactionary Kint government will be taken over by the Democratic Government. If the above mentioned involve private capital, the ownership rights of the persons concerned will be recognized after investigation has estab-

lished their claim. All personnel working in enterprises of bureaucratic capital before the Democratic Government takes over their enterprises must remain at their posts as usual. They must furthermore be responsible for protection of materials, machineries, deeds, charts, accounts and files, pending inventory and taking over. Those with merit in protecting materials will be rewarded. Those who sabotage and disrupt will be punished. Those willing to continue to serve after the Democratic Government has taken over will be employed in accordance with their capabilities.

Article 4: Schools, hospitals, cultural and educational institutions, athletic fields and public buildings will be protected. No one must damage them. It is hoped that teachers and school employees, and personnel of cultural, educational, health and other public welfare institutions remain at their posts as usual. This army will protect them against any encroachment.

Article 5: No Kmt officials or police personnel of provincial, city, county or other levels of government institutions, and no district, townlet, village or Pao-Chia personnel will be taken prisoner or arrested, unless they offer armed resistance or plot disruptive activities. The only exception to this is in the case of principal war criminals and counter-revolutionary elements of heinous guilt.

The above personnel are enjoined to remain at their posts, obey the orders of this Army and the Democratic Government and take the responsibility for protecting all materials, files etc. of the various institutions pending taking over and disposal. The Democratic Government will at its discretion employ all these personnel with any ability, provided that they do not engage in counter-revolutionary activities and do not commit serious criminal deeds.

Any of these personnel who take advantage of the situation to destroy, loot or graft, abscond with public funds, public materials and documents, or who refuse to turn over the foregoing will be punished without fail according to due process of law.

Article 6: In order to secure civic and social order, all scattered arms taken from Kuomintang armies must be given to units of this army in the vicinity, or to the People's Army Garrison Headquarters or Public Safety Bureau. Those who voluntarily give themselves up and hand over all their arms will not be taken to account. Those who delay in reporting or who conceal arms will be brought to light and arrested, and no leniency will be shown them. Those who harbor these persons and fail to report will also receive due punishment.

Article 7: The security of the lives and property of all foreign nationals will be protected. All foreign nations must observe the laws and regulations of this Army and the Democratic Government. They must not engage in espionage activities. They must not engage in

activities against the Chinese revolutionary cause. They must not harbor war criminals, counter-revolutionary elements or other criminals. Otherwise, they will be dealt with according to the laws and regulations of this Army and the Democratic Government.

Article 8: Both before and after this Army has entered the city, all city people of all walks of life must bear the responsibility in common for preserving order throughout the city against any disruption. All those who help preserve the peace will be rewarded, and all those who plot to disrupt will be punished.

This Army's discipline is rigid and clear. This Army practices fair trading, and does not take so much as a needle or a string from the people. It is hoped that all people will abide in peace and security and will not be needlessly alarmed. (Signed) Lin Piao, commander Lo Jun-huan, political commissar, Peiping-Tientsin Front Headquarters of the Chinese People's Liberation Army, December 22nd, 1948.

893.01/12-3048

*Memorandum of Conversation, by the Chief of the Division of
Chinese Affairs (Sprouse)*

[WASHINGTON,] December 30, 1948.

Subject: Question of Recognition in the Event of the Establishment of a Successor or Coalition Government in China

Mr. Ford⁸² called today at my request to discuss the above-mentioned subject. I explained to him that recent messages received from our Embassy at Nanking indicated the possibility of the resignation of the Generalissimo and the establishment of a successor regime which would enter into negotiations with the Chinese Communists looking toward the establishment of a coalition government. I pointed out that it was our opinion that the question of recognition of such a government was one that merited the most careful study since our position with respect to the protection of American interests and property in China would be strengthened vis-à-vis any coalition government by the possession of the weapon of recognition. I informed Mr. Ford that we were at present approaching only the British Government but that it would obviously be desirable to have concerted action on the part of the British, French and United States Government since all three had interests in China which could be served advantageously in this connection. I requested that Mr. Ford take steps to ascertain the views of his Government and added that it was our desire that discussions on this subject be confined to Wash-

⁸² J. F. Ford, First Secretary, British Embassy.

ington and that the matter not be taken up between our respective Embassies at Nanking.

Following some discussion of this question and its relation to the United Nations and other international organizations, Mr. Ford stated that he would convey the gist of our conversation to London and communicate with me further upon the receipt of an indication of his Government's views.

893.00/12-2848 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, December 30, 1948—5 p. m.

1907. Shanghai tel 2891 December 26 repeated Nanking 2169 and urtel 2632 December 28. US Govt recognizes and continues extend aid Chi Govt accordance China Aid Act 1948. Promise aid, for which only existing legislative authority China Aid Act, to non-Comm successor govt for purpose, as indicated by Carsun Chang, of bringing about Gimo's resignation would represent intervention in Chinese internal affairs which this Govt could not undertake. Questions raised by Chang are matters for Chinese decision and under no circumstances could US Govt place itself in position dictating or suggesting resignation head of friendly govt. Nor, in absence legislative authority, could US Govt commit itself to future aid program in hypothetical situation envisaged by Chang.

In your discretion and if you think advantageous US national interests, you may authorize ConGen Shanghai convey orally to Chang gist foregoing.⁸³

LOVETT

893.00/12-3048 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 30, 1948—5 p. m.

[Received December 30—12:10 p. m.]

514. Callous brutality of Government military in wrecking and burning at least 12 villages (mytel 499, December 28 to Department⁸⁴) in outskirts of Tientsin is most recent action conducive to increasing bitterness local populace against Government and also Fu Tso-yi who reportedly ordered action. Most cases people given very short notice

⁸³ Telegram No. 15, January 4, 1949, 2 p. m., from the Ambassador in China, noted: "Unless you have already done so, suggest that no good purpose will be achieved by conveying orally to Chang gist of Deptel sent Nanking 1907, repeated Shanghai 2280, December 30." (893.00/12-448)

⁸⁴ Not printed.

and soldiers looted before burning. 38,000 poor people made homeless in below zero weather. Some admitted to city after 2 days' waiting cold and now are burden on already overtaxed private relief agencies, Government doing almost nothing. Many turned to Communists who reportedly gave prompt effective aid. Contrast between Government and Communist relief widely commented on.

Military situation Tientsin area confused. Government reports of heavy fighting no longer believed, as no wounded in evidence. Situation Tangku area even more obscure and no reliable information available. BB and SS ^{84a} agent Tangku reported yesterday Government troops commandeering company's fighters [*lighters?*] so presume at least part Tangku held by Government.

Fu Tso-yi formerly popular now considered by populace about same class as Generalissimo who universally detested.

Government forces Tientsin are, not counting at least 20,000 defeated unarmed troops, probably about 70,000 men and, with exception few units, are of poor quality. Eighty-sixth Army formerly at Cwt ⁸⁵ is proving why it earned name of "Locusts".

Although listening to Communist radio forbidden, references to Communist broadcasts made openly by Chinese who show wider interest in Communist policy pronouncements and military reports. They give greater credence to latter than to Government communiqués.

Sent Department 514; repeated Nanking 738, Shanghai 688, Peiping, Tsingtao.

SMYTH

893.00/12-3048: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 30, 1948—6 p. m.

[Received December 31—3:33 p. m.]

2667. Successful formation Sun Fo Cabinet does not promise to alter prevailing political trends. Agitation for peace both within and without Government is reaching crescendo, yet nothing can be done without assent Generalissimo. By virtue action National Assembly, Generalissimo holds emergency powers allowing him to make virtually all policy decisions. Cabinet can only advise and assist in implementing Generalissimo's will. Thus as long as Generalissimo can exercise command over Nanking garrison and police, he has both *de facto* and *de jure* authority to continue war or adopt peace policy.

Various reports of impending retirement Generalissimo (our 2628,

^{84a} Butterfield and Swire Steamship Co.

⁸⁵ Chinwangtao.

December 27; 2637, December 28 ⁸⁶ and 2655, December 29) should not be taken as positive indication Generalissimo's intentions in spite of fact he summarily removed Wu Ting-chang, his faithful Secretary General, and replaced him with Wu Chung-hsin solely because of latter's known ability as negotiator and for avowed purpose arranging retirement Generalissimo. In present deteriorating military situation it may be assumed that Generalissimo has given thought to peace as alternative to continued hostilities. He is under strong pressure to retire and it is conceivable that he may be persuaded to step aside or that Pai Chung-hsi whose troops now garrison Nanking may force his hand by *coup d'état* assisted by Chang Chun, Chang Chih-chung and those others demanding peace. His retirement from the scene is prerequisite any negotiations with Communists.

Principal motivation Governmental peace advocates appears that if Generalissimo retires Government can negotiate with Communists and considerable segment of present Kmt can be preserved as bloc in coalition government. This view strengthened by Li Chi-shen, December 20, Hong Kong press announcement which indicated present Government, less Generalissimo, would be recognized by Communists as having legal status as temporary government for purposes negotiation. However, in December 22 Reuters-AP Hong Kong story "spokesman for one of major groups of 10 anti-Chiang parties exiled Hong Kong" states Communists not prepared enter coalition government which would have representation from present Nanking regime. We reported our 2544, December 16 that Li Tsung-jen has man Hong Kong negotiating this point and it is possible that Li Chi-shen's statement is result these negotiations.

However that may be, we consider it unlikely Communists will permit Kmt to enter coalition government as bloc, but will rather permit participation by individual Kmt members selected with care. As we see it, should Generalissimo be persuaded to retire or be forced out, Li Tsung-jen as leader of Government would seek through his proclamation to open negotiations with Communists. He has little with which to bargain, however, and we think it unlikely Communists will be willing treat with him except in terms amounting to unconditional surrender. Their military forces gathered north of Nanking and already moving to encircle the city are overwhelming. Proclamations promising safety and good treatment to technicians both within and without Government and precedent set in Tsinan and Mukden make it highly likely that sufficient Government and public utility officials would remain in their jobs to ease problem of running Government which will confront Communists. Even Kmt leadership is offered opportunity of getting off blacklist of war criminals or at

⁸⁶ Telegram No. 2637 not printed.

least being permitted to survive, by proof of acceptable service to Communist victory.

Therefore, with anticipated refusal Communists to negotiate, with loss Generalissimo leadership should he have retired command, with deathblow to what remains of military morale in Government forces which would result from publicized effort to negotiate, we believe there is little likelihood that Government can continue to rally sufficient support to maintain resistance as a unit. It would be more likely to disintegrate, leaving the autonomous areas in the west and southwest to make their own accommodations with the Communists.

Central point in present situation remains, however, fact that Generalissimo has not yet taken final step to relinquish his control and that until he has done so, his opposition to communism will continue as heretofore. He has said that he would remove to Nanchang, then Canton, and Taiwan if necessary and that he would resort to guerrilla tactics if forced into it, but that he would fight the Communists unto death. Those insisting on peace may succeed in persuading him that he is harming the Chinese people by continued resistance, yet his deep conviction in the inhumanity of communism with the resulting oppression of the Chinese people may lead him to carry out his threat. It would certainly be a more glorious end and more in the traditional pattern than if he were meekly to step aside to spend his dying days in exile.

STUART

893.00/12-3048

*The Consul General at Shanghai (Cabot) to the Director of the Office of Far Eastern Affairs (Butterworth)*⁸⁷

SHANGHAI, December 30, 1948.

DEAR WALT: I have not written you for some time regarding my views on the unfolding drama here in China, partly because I have been so busy that I have not had time to sit down and sort out my thoughts, and partly because things have changed so fast that any comments would be antediluvian before reaching Washington. The latter comment at least will probably apply to this letter before you get it.

My basic thinking at the present time goes back to the trenchant, rather brash phrase which appeared in a telegram forwarded by the Embassy last May: "Chiang can, must and will go".⁸⁸ You will recall that ever since my arrival here I have expressed serious doubts whether aid to Brother Chiang could be effective unless, one, his

⁸⁷ Received about January 10, 1949.

⁸⁸ This phrase not found in Embassy telegrams to Department.

Government secured the confidence of the Chinese people and two, he made the issue of the civil war (Soviet imperialism) clear to them. It is now abundantly clear that he has done neither. He has not only failed to win the people's confidence, he has forfeited practically whatever confidence they may have still had in him, primarily as a result of the catastrophic currency reform and an unbroken series of military disasters. His propagandists have made a few weak attempts to sell the issue in terms of Soviet imperialism, but the people have refused to buy it; they have no confidence in Chiang's wares and quite frankly the evidence back of the story is by no means as strong as it might be. Whether aid could ever have been effective, we shall never know, though I doubt it; but today it is generally agreed that only active, large-scale intervention with military forces could save the National Government, and I am sure we would not be prepared for such intervention unless we were already at war with the Soviets.

Today I think therefore that there can be little doubt that Brother Chiang "will" go. Maybe our own elections should give me pause, but local opinion is unanimous in this regard respecting Brother Chiang. The question then is where that leaves us. We might, of course, continue to back Chiang and his cliques, as long as they remain at all in the field. I recognize that there are many sound arguments against abandoning Chiang even if we accept the thesis that we cannot make of him an effective bulwark against Communism in China. For example, I am very apprehensive of the effect of such a step among the nations we are helping in Europe. Nevertheless I think we may as well recognize the universal belief among the Chinese that the Communists are going to have them and that they might just as well relax and enjoy it. We are not going to receive any thanks for continuing our interference. On the contrary, we are going to be accused of prolonging the agony of the civil war and of pursuing imperialistic ends in defiance of the clearly expressed wishes of the Chinese people. In short, I think it would be immoral to foist a rotten, unpopular government on the Chinese people; that it would be worse than a crime, it would be stupid, to pursue our present aid policy. It could not be effective, it could only result in the loss of whatever we were willing to ante up and it might well result in turning against us those Chinese people who like and respect us.

It seems to me very important in this situation to hold our prejudices in rein and to remember certain essential facts. In the first place, if I understand the situation correctly, our intervention has been, so far as the public record is concerned, rather more overt than that of the Russians. Immediately after V-J Day we transported thousands of Nationalist troops through our own facilities to strategic points being surrendered by the Japanese in order that the National-

ists might get to them ahead of the Communists. We kept the Tientsin-Peiping railway open with Marines and placed them in the naval base at Tsingtao. We have given an immense volume of aid to the Nationalists both in economic and military supplies, and practically nothing to the Communists. We have maintained military and navy advisory groups in China—for a long-term program, yes, but it can scarcely be maintained that this has no short-term implications. Finally, we made \$125,000,000 available to the Chinese Government to use as it would. On the other hand, the most serious allegation of Russian interference I have heard is that they turned over large quantities of Japanese arms and munitions to the Communists when withdrawing from Manchuria; against this, if I remember rightly, General Marshall has stated that we turned over larger quantities of surrendered Japanese arms and munitions to the Nationalists.

I have already mentioned the manner in which the Nationalist Government has botched the job, yet I feel that I must add that aid was extended to it on the basis of self help and that, despite a few well-intentioned efforts, self help has been notably lacking. The same old inefficient grafters are still occupying the same old positions (with some musical chairs variations); the same old governmental abuses and social injustices still flourish; the same old Generals are making the same old mistakes with the same poor, unwilling conscripts, and the same old traditions of face, squeeze, Oriental indirection, loyalty only to one's family and all the rest have been rigidly observed. There has been precious little evidence of any patriotism or self sacrifice in the government ranks; and it is thus only natural that the people have denied the government their confidence. General Marshall has borne witness to the manner in which our aid already given has been wasted, our advice disregarded and our best efforts on China's behalf rendered abortive.

I think it is also fair to point out that the government has pursued a very tortuous and unappreciative course towards the United States. Far from placing the blame where it belongs, the government organs have regularly blamed Nationalist China's ills on the United States, beginning with oil and scrap for Japan, running through Yalta⁸⁹ and continuing at the moment with querulous claims that our aid is niggardly. If we had any right to aid Nationalist China against the Chinese Communists, it could only be on the basis of defense against Soviet aggression, for otherwise it would be intervention in Chinese internal affairs. Yet Nationalist organs have regularly, ever since I have been here, criticized the United States more severely than

⁸⁹ For the agreement signed at Yalta, February 11, 1945, see *Foreign Relations, The Conferences at Malta and Yalta, 1945*, p. 984.

they have criticized Soviet Russia. There is, moreover, strong evidence that elements in the government have been responsible for much of the anti-American agitation we have observed, particularly in connection with our policy of rehabilitating Japan. I think this is a fair commentary on the depths to which the Nationalists have fallen.

I do not wish to pass moral strictures on Brother Chiang, or on the Nationalist cliques. They have been confronted with tremendous problems and have been strained beyond their strength. Under less stringent conditions they might have successfully surmounted their difficulties. Brother Chiang is in many ways more estimable than the traditions and the elements that he symbolizes. I simply wish to record a fact. The Nationalists have been confronted by a formidable challenge and they have not been able to meet it. China has become set in so hard a mold that it cannot be reshaped without breaking it—something which Chiang is probably neither willing nor able to do. History is probably going to scratch him off the books in the near future whether we like it or not.

The question is, what we can do about a successor government and what should we do about it? We face many imponderables:

One, we do not know the precise nature of the government we are going to face. For face saving purposes I gather it is likely to be nominally some form of coalition. I think, however, we can safely assume that it will be Communist dominated. For months I have been hoping that our aid program would tide non-Communist China over until Chiang could be replaced by a liberal, popular coalition which could cut the ground out from under the Communists. From the tenor of approaches made to us during the past month by diverse Chinese, I gather that even now there are still elements which believe (or profess to believe) in the possibility of establishing a reformed and revitalized anti-Communist regime, presumably led by Li Tsung-jen and built around a Kwangsi political and military core, which, with American aid, might continue the war with some hope of at least relative success. I do not doubt that such possibilities still exist. I still hope for the emergence of some regime possessing the decent, popular, dynamic qualities which would be indispensable to justify our support; for such a government would at least be in a better position to make peace than Chiang would have now or after his collapse. I would certainly advocate that we refrain from any positive action discouraging efforts to organize such a regime. I feel, however, that the possibilities of its materialization are so extremely small that it would be unwise to commit ourselves to any movement favoring continued opposition to the Communists until it had through actual accomplishment demonstrated that our support was justified. Even assuming the successful formation of a government deserving and winning our sup-

port, the best that probably could be expected would be the achievement of somewhat better peace terms; the end result would be much the same—a predominantly Communist government. Barring a miracle, this then is what we must be prepared to accept.

Two, we do not know how a Communist dominated government will act on a short-term or long-term basis respecting American interests. My guess is that on a long-term basis the Communists are likely to try to extirpate all American interests and influences in China. On the other hand, there is considerable evidence suggesting that on a short-term basis they are prepared to accept the continuation of such American interests and activities as may suit their convenience. There is, moreover, considerable logic to this position. We may, then, anticipate a fairly long twilight before the Communists plan to lower the curtain and exclude every ray of light.

Three, and most important of all, we do not know whether and to what extent the Chinese Communist leaders are more Chinese than Communist. Despite many differences of opinion I have heard expressed since my arrival here, it appears to be generally agreed that among the Communists there are a good many leaders who are one hundred per cent Moscow stooges and a good many others who, although orthodox Communists, are nevertheless thinking in terms of Chinese rather than Soviet interests. Of one thing we can be certain: the vast majority of rank and file Communists think of themselves as Chinese before thinking of themselves as Communists.

Without pretending for one minute to be optimistic regarding the probable course of events, it seems to me that in a coalition government in which the dominant Communists are themselves not the monolithic bloc they are in most European countries, it is possible that skilful maneuvering on our part might yet pull our chestnuts out of the fire. We have by now had enough examples of Communist tactics in taking over countries to know that a hard core of fanatical Moscow stooges, knowing exactly what they want and being utterly unscrupulous in getting it, gradually eliminates all other elements from positions of power. In China, while not wishing to deceive myself or indulge in ill-considered optimism, I think we have a fair chance of thwarting that little game. At any rate, I feel the possibilities of success along these lines are perceptibly better than along the lines of further aid to a discredited government in collapse. I should perhaps make it very clear that I don't think we should do anything positive to favor a coalition government including Communists but am merely trying to indicate the path of action I favor when nature has taken what I consider its inevitable course.

There are, of course, certain dangers we must avoid. We must not merely aid the Communists through their early difficulties to have

them laugh at us when they no longer need us. We must not think of the Communist leaders in terms of appeasement—though we must think of the immense reservoir of good will we have among the common people despite the worst efforts of both Nationalists and Communists. We have learned in Yugoslavia how little gratitude generosity begets in the Communist breast. We must resolutely repress the tendency already observable among ECA heads—as so often among bureaucrats—to think the continuation of their functions essential despite radically changed circumstances. Above all, we must not build up the military strength of potential enemies—after all, our aid program was justified on grounds of military security. Other dangers will suggest themselves to you.

You in Washington are doubtless in the midst of the arguments we have recently been running through here regarding ECA's famous 3 a), b), c), and d),⁹⁰ and I will therefore not bore you with details. In general, however, I am opposed to the ECA argument in favor of 3a) because, (1) giving the Communists full aid for the first few months would help bridge over the worst period for them and would therefore weaken our bargaining position thereafter: (2) aid to the Communists on less stringent terms than the aid we have been giving the Nationalists would be a strange reversal of policy: (3) it seems to me highly desirable that aid should end, if it is to, on a note of Communist refusal of reasonable American conditions, rather than on a note of mere exhaustion of U. S. funds. In general, I feel that we should continue aid but on pretty strict conditions, that we should string it out over as long a period as possible and that in extending aid we should make a distinction between food and other commodities such as oil and cotton. I also feel that we must hammer the line which I thought was very effectively used by Paul Hoffman (although I had nothing to do with his use of it), that our aid is to help the people, not the government of China, and is directed not against any country or doctrine, but against hunger, poverty, desperation and chaos. I think in that respect ECA's views are well founded.

With regard to the future, I feel that we could ask for a further appropriation of say \$100,000,000 under the exact wording of the provisions of Sec. 402 of the China Aid Act of 1948, although obviously the meaning of this Section would in practice be very different if we gave aid to Communist dominated coalition. I see no reason for changing the language of the Section which after all does express our real purposes in vague but effective language. With such an appropriation as bait, with our strong trading position as a diplomatic asset and with a well conceived propaganda campaign against the

⁹⁰ See telegram TOECA 499, November 26, from the Chief of the ECA China Mission at Shanghai, vol. VIII, "U.S. Economic Aid to China" (Ch. IV).

more obnoxious Moscow stooges as a stick, I think it is conceivable that we might get somewhere. At least I think it is a better gamble than further aid to the Nationalists and more likely to achieve our purposes than would be a course of washing our hands of the whole Chinese mess and being as nasty as possible.

We must remember the many favorable factors we would have in trying to wean a Chinese coalition government away from the Soviets. First is our trading position. The Chinese Communists are going to need oil, cotton, machinery and many other things the Soviets can't supply. They are going to need export markets—where again the Soviets can't offer much. They are not going to want to trade with the Soviets on the basis the latter trade with their European satellites—all take and no give; reports we have from Communist areas, though inconclusive, suggest that the Chinese Commies are already a bit fed up at this Soviet tendency. The Chinese Commies are going to need know-how and technical training and a host of other things that we are in a far better position to supply than the Soviets. They can scarcely afford for a while to let our missionary colleges and hospitals be cut off from America—though I anticipate an early and growing squeeze on them.

No less important a factor favoring a more and more independent course on the part of the Chinese Communists, particularly if we play our cards well, is the whole background against which their rise is being projected. Chinese leaders have seldom had the loyalty to each other and to their country which we expect in the West. Chinese nationalism is very strong, and will, I am convinced, react strongly against Kremlin domination once the latter tries to assert itself—just as Yugoslavia nationalism asserted itself under somewhat similar circumstances. Chinese individualism is pronounced. The Chinese have been for so long accustomed to tyrannical governments that they are unsurpassed at getting around and sabotaging government measures they don't like, as I have seen plenty of times even in the year I've been here. The lack of organization and of cohesion in China is so marked as to indicate it is congenital. Without our help, without American trained technicians, it is doubtful whether the Chinese Communists can run the country—it seems quite possible that their regime would collapse amidst chaos and confusion. Moreover, the intellectual leadership among the Communists must at least at first come largely from American trained men who, although now sympathetic to Communism, are likely to react against any Soviet arrogance or domineering. On the other hand, Soviet Russia has no strong hold over the Chinese Communists once they're in the saddle—as Tito,⁹¹

⁹¹ Marshal Josip Broz Tito, Yugoslav Premier.

they will have come to power largely as a result of their own efforts rather than by imposition of the Soviet armies. Finally, I am confident that most of the present top Communist leaders know in their souls that they're not 100% satisfactory to the Kremlin. By hammering on the theme that the Kremlin will sooner or later liquidate them one after another—and pointing out every time a case occurs in Europe, which never requires much waiting—I think we might get somewhere.

The suggested \$100,000,000 aid program, if voted entirely within the President's discretion, would, in my opinion, add a strong offensive weapon to our armory. We would presumably distribute it in non-discriminatory ratio between Nationalist and Communist areas—so long as any of the former remained. All would be economic aid, notably food—none for arms. But in negotiating for an aid program in Communist areas, we would be in a position to say, in effect, "We should like to extend aid in accordance with our traditional friendship for the Chinese people. We have nothing against the adoption of Communism as an economic doctrine by the Chinese people if they so choose. But do you think we are going to extend aid while that Moscow stooge _____ is in a position of authority?" By using our aid program to exert steady pressure on the Communists to get rid of the extreme Kremlin ring while cooperating within limits with any truly Chinese elements, I feel we might get somewhere. Anyhow, it's a Moscow maneuver which has often succeeded, with less ammunition. Needless to say, the bigger the potential amount of aid, the more pressure we might assert—also the more we might lose and the more we might help the Commies over the worst humps. If the Communists refused to ask for aid on our conditions, even that should be a divisive force among them, and between them and the Chinese people.

Such a course of action, of course, depends for success on pressing Communist exigencies, the inherent nature of things here in China, and above all on the theory that the Chinese Communists are not a monolithic bloc in their subservience to Moscow. I grant you I'm not oversanguine of success. But what are the alternatives? To continue the present aid to the Nationalists—which can scarcely be effective in the future if it hasn't been in the past? To give all out aid—which both military and civilian opinion agrees will not save the Nationalist Government and would therefore only bury us the deeper beneath the ruins? To aid promising provincial leaders—but how can we expect any such leaders to survive against the Communists if the central Government couldn't? To wash our hands of China—amid catcalls about our alleged friendship for China from both sides, who for once would agree in blaming everything on us? No; if a new government is inevitably going to arise in China no matter what we do, let us

marshal our assets to do what we still can to shape the course of events rather than continue to dissipate them in trying to bolster up an obviously bankrupt concern.

Another hopeful factor is the circumstance that the Russians, however clever they are, must before long face the same fundamental dilemma that has plagued us. In respect to what they wish to see done under a Communist dominated Chinese regime, they must either (1) inject themselves into the picture and suffer the consequences in terms of Chinese suspicion and resentment; or (2) refrain from such interfering and thereby risk having their desires disregarded or only incompletely fulfilled. The more they attempt to have their way, the more we shall have opportunity for exploiting Chinese sensibilities and mounting nationalistic sentiment to our advantage. There is a distinct possibility that the Russians will bog down in the same morass into which we are now sinking. The Russians, of course, will meanwhile on their part endeavor to make the most of whatever they may be able to trump up toward discrediting American policies and activities in China in the eyes of the Chinese: "economic imperialism", profiteering, unscrupulous business ventures, adventurism, collaboration with reactionary elements, personal scandal, division within our own ranks, et cetera. While we cannot hope to nullify such tactics, we can at least do something toward limiting the field for attack offered to the Russians.

A practical aspect of policy which is naturally of great concern to me, though of course of far less overall importance, is the question of the future of American business and missionary work in China. I feel that the Department is now pretty well informed regarding the attitude of business and missionary circles. The business attitude may be summarized as follows:

1. By its extensive aid to Nationalist China the United States has, whether wisely and necessarily or not, stirred up the wrath of the Chinese Communists.

2. Today the Department wants U. S. businessmen to stick to their posts and face the Communists as best they can despite the record in all countries that Soviet Russia has communized of squeezing out foreign business and harrying its representatives, both foreign and native.

3. American business is conducted under our free enterprise system to make a profit. It is not an imperialistic spearhead and does not like on the one hand to be made a whipping boy for domestic politics and on the other to be asked to stick its neck out and suffer losses (contrary to its fundamental motivation) to promote national interests abroad.

4. American business has an important stake in China, but if there is not a reasonable chance for profit in the future, it should pull out—and since its representatives have repeatedly suffered hardships here, they are not inclined to attend a repeat performance.

5. If the U. S. Government expects American business representatives to stay here and face foreseeable dangers, it must assure them of some measure of protection. Living largely in the past, many business representatives would like to see Shanghai re-internationalized, or at least placed temporarily under Marine protection. However, businessmen would face immediate risks with more equanimity if they did not consider the possibility of profitable and stable operations under a Communist regime so dim.

6. American businessmen are convinced that they will not be able to carry on under the Communist regime if the United States continues an aid program to elements fighting Communism.

You will appreciate how useless it is to argue that a good many of the American business community's views are unreasonable and archaic—as so often happens in foreign affairs, that is the way they feel and one simply has to accept the fact. Nor is their attitude wholly unreasonable. They have confronted chaotic business conditions and suffered various losses in the last decade. They do not know whether we will continue to aid the Nationalists and spurn the Commies after the latter occupy this area. They do not even know whether and to what extent they will be permitted by the United States to trade in Communist areas, and to carry on necessary ancillary operations such as financing and insurance. They do not know to what personal indignities, restraints and dangers they may be subjected. They do know what the Communists preach about capitalism, what they practice, and that they have particular reason to hate us in China. I scarcely think that we can claim that they are wholly unreasonable.

With regard to missionary thinking, there is naturally a very different motivation and less of an inclination to argue in such mundane terms. The missionaries have a strong sense of duty and many of them are inclined to stick to their posts as long as they are physically permitted to do so. One of our difficulties in evacuation has been the unwillingness of missionary families to leave the missionaries actually carrying on the work. For the most part, I do not think that missionary activities will be abandoned unless and until the Communists take positive measures to stop them or unless other physical obstacles (for example, inability to transfer funds) make their continuation impossible.

I obviously do not think that the intrinsic business and missionary stakes in China are comparable in importance with the broad national interests which I discussed in the first part of this letter. Nevertheless they are of some importance in themselves and of greater importance as the media both for maintaining and spreading our influences and for upholding our interests in this country. If we accept the thesis that the Chinese Communists are really Moscow mario-

nettes, then we must conclude that American business and missionary activities in China are doomed. The record in other Communist countries is too clear to leave us any illusions on that score.

The point is important because I do not think we should discourage individual American businessmen and missionaries from abandoning acquired positions in China if we feel that they are going to be forced to abandon them shortly and that they will merely go through some unpleasant experiences in the interim. On the other hand, if we feel that the Chinese Communists are not subservient to Moscow—that they are likely to pursue an independent course, then it seems to me that our whole aid program has been a ghastly mistake. If that were the case, our aid program would not only have failed to maintain in power the rotten and unpopular government it favored, not only have unnecessarily jeopardized our entire position in China—we would also have intervened in China's internal affairs, have blocked much needed and long overdue reforms, and moreover have driven into Moscow's arms a new government with which we might have enjoyed reasonably normal relations. We simply cannot have it both ways and I am fearful that we are going to end by not having it either way.

If we think only in terms of our own immediate selfish interests rather than in terms of the aspirations and well being of the Chinese people and our traditional friendship for them, we are likely to harm both the Chinese and ourselves. Basic Chinese thinking is not in terms of freedoms which they have never enjoyed and see little if any more prospects of enjoying if the Nationalists win than if the Communists win. Rightly or wrongly in that sector they are thinking in terms of overcoming governmental oppressions in the future as in the past by evasion and passive resistance. What is paramount in their minds is the question of livelihood—of ending the war and the intolerable economic hardship it has imposed and of sweeping out all the multifarious ancient abuses which help keep the masses so desperately poor. The tragedy of China is not that Communism is about to take the country over, evil though we know Communism to be. The tragedy is that, particularly at this crucial moment, China had such a rotten government, which clung stubbornly to power even after it had obviously forfeited the people's confidence. Thereby those who wanted a change had but one place to go. A naive oversimplification of the problem has led us to uphold the rotten government until disaster has overtaken us—and only you in the Department have prevented the disaster from being worse. Let us not persist further in a course which is to my mind both unwise and immoral. If the Chinese want peace, are prepared to accept Communism, and feel that China will absorb Communism as it has so many conquerors, can we

be certain we know better than they what is good for them? My personal conviction is that they want Communism only by preference to the Kuomintang and that our policy should be shaped in every proper way to help the Chinese people but neither of the extremist factions.

I should add in concluding that I realize that my suggestions may be—in fact probably are in certain respects—poison ivy from the domestic political viewpoint. Whether and to what extent it may be possible on this account to implement them, I do not know. I shall leave this baby in your competent hands.

With every good wish for a Happy New Year,

Sincerely,

JACK

893.01/12-3048

The Ambassador in China (Stuart) to the Department of State

No. 524

NANKING, December 30, 1948.

[Received January 11, 1949.]

The Ambassador has the honor to enclose for the Department's information an Associated Press despatch datelined San Francisco, December 25, which includes a list of Chinese Nationalist Government officials who have been placed on a so-called "Communist blacklist". This report is based on a radio broadcast transmitted on the night of December 24 from Communist-occupied China. It is understood that considerable "jamming" prevented reception in the free China area.

The list has been rearranged in alphabetical order for reference purposes, otherwise the despatch reads as it appeared in the Shanghai English language press.

[Enclosure]

Associated Press Despatch in Shanghai Press

"CHINESE REDS BROADCAST BLACKLIST OF OFFICIALS

San Francisco, Dec. 25 (AP)

"The Chinese Communist radio broadcast today a list of Chinese government officials and military men who, it said, are 'war criminals well-known for their heinous crimes, who, all Chinese agree, should receive the just penalty'.

"Heading the list was Generalissimo Chiang Kai-shek. Mme. Chiang was also listed under her maiden name, Soong Mei-ling.

"Most of the names were not surprising but the list included Vice President Li Tsung-jen, who has been mentioned in China speculation

as a possible peace negotiator, and former Premier Chang Chun, also mentioned as a peace advocate.

"Mayor K. C. Wu of Shanghai was also on the Communist 'blacklist'.

"The 'just penalty' was not described in the broadcast, heard here by the Associated Press.

COMPLETE LIST OF NAMES

CHANG, Carson, leader of the minority Democratic Socialist party.
CH'ANG, Ch'un, former Premier.

CHANG Li-sheng, former Vice Premier and director of an economic blockade against the Communists.

CH'EN, Ch'eng (Gen.) former chief of staff.

CH'EN Kuo-fu, leader of extreme rightist clique in the government.

CH'EN, Li-fu, leader of extreme rightist clique in the government.

CH'ENG Ch'ien, long-time government official and unsuccessful candidate for vice president last spring.

CHIANG, Kai-shek.

CHOU, Chih-jou, air force commander.

CHU, Chia-hua, former education minister.

FU, Tso-yi (Gen.), North China commander.

Ho Ying-ch'in, former defence minister.

HSIUNG, Shih-hui (Gen.), Chiang's personal representative at Peiping headquarters.

HSTEH, Yueh (Gen.), former director of military affairs.

HU, Tsung-nan (Gen.), who captured and then lost the Communist capital of Yenan.

Koo, Wellington, ambassador to Washington.

KU Chu-t'ung, army commander in chief.

KUEI, Yung-ch'ing (Adm.), navy commander.

KUNG, H. H., former premier and brother-in-law of the Generalissimo.

LI, Tsung-jen.

LIU, Shih (Gen.), commander on the north front of Nanking.

MA, Hung-k'uei, independent governor of Ningsia province.

PAI, Ch'ung-hsi, (Gen.), defence minister formerly.

SOONG, Mei-ling (Mme. Chiang).

SOONG, T. V., former premier and brother-in-law of the Generalissimo.

SUN, Fo, Premier.

SUN, Li-jen (Gen.), head of the government army school on Taiwan.

TAI, Ch'uan-hsien, Kuomintang Central Executive Committee member.

T'ANG, En-po (Gen.), commander of the Nanking defences.

T'AO, Hsi-sheng, former Kuomintang official who aided but then broke with the Japanese puppet regime during the Japanese war.

TSENG, Ch'i, leader of the minority Young China party.

TU, Yu-ming (Gen.), commander of the government army groups now surrounded by the Communists near Hsuchow.

WANG, Hsu-ming, Vice Commander of Nationalist Air Force.

WANG, Shih-chieh, recently foreign minister.

WANG, Yun-wu, former deputy premier and former finance minister.

WEI, Li-huang, who finally lost Manchuria to the Reds last month.

WENG, Wen-hao, former Premier.

WU, Kuo-ch'en, Mayor of Shanghai.

WU, T'ieh-ch'eng, new vice premier, foreign minister and longtime secretary general of the Kuomintang.

WU, Ting-ch'ang, longtime member of various cabinets and anti-Communist 'pacification commissioner' in Yunnan and Kweichow provinces.

YEN, Hsi-shan, 'last of the warlords' and governor of Shansi province.

YU, Han-mou, head of Chiang's land forces.

DEFINITION OF 'WAR CRIMINAL'

"The Communist radio attributed this list to 'an authoritative personage' at Communist headquarters in Shensi province but reiterated that it was 'incomplete and that a fuller list would have to be worked out by all circles throughout the country'.

"The first say on war criminals, it added, should be given to the Communist army.

"For example, it cited Gen. Huang Wei, commander of the 12th army group, 'whose use of poison gas in battle fully qualifies him as a war criminal'.

"The Communists early in the week reported that they had destroyed Huang's group but what happened to Huang is not clear. The poison gas charge is an old one, bandied back and forth by both sides but never substantiated by either.

FU IN SAME GRADE AS CHIANG

"The broadcast went on to denounce Gen. Fu Tso-yi in the bitterest terms saying that he 'is a public enemy' who had 'butchered the people like cattle' and 'a first class war criminal like Chiang' and half a dozen other generals of the above list whose names were repeated.

"The broadcast again threatened 'punishment' without specifying its nature but said Fu could lessen his 'crimes' if he would immediately surrender Peiping and Tientsin."

893.00/12-3148 : Telegram

The Consul General at Hong Kong (Hopper) to the Secretary of State

HONG KONG, December 31, 1948—11 a. m.

[Received January 1, 1949—8:25 a. m.]

Controlled American source today learned from reliable source Marshal Li Chi-shen departed Hong Kong for Communist areas probably by Soviet ship *Aldan* Dec. 27, ostensibly for Vladivostok. Reliable Sino source today confirmed departure Marshal Li for North China about December 25.

Yesterday for first time C. Y. Li said Marshal Li definitely would go North China "possibly in near future".

Departure Marshal Li of greatest significance any move dissident circles Hong Kong, and suggests PCC imminent and abandonment by Li any plans he may have considered for independent action South China.

Sent Nanking 217, repeated Peiping, Department.

HOPPER

893.00/12-3148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 31, 1948—2 p. m.

[Received 3:01 p. m.]

2676. On December 30 Governor Yen Hsi-shan called on me, doubtless at behest of Vice President (see mytel 2655, December 29). He described their perplexity as to whether they should continue civil war or propose peace, and what would happen if Communists rejected their offer. He said Generalissimo stood for continuing fight but Vice President and he have favored political settlement. All-important point was American aid. Vice President felt that he would be in much stronger position in any peace settlement if he could have American backing. I explained that military aid under existing conditions was almost certainly out of question but as to our future policy we could only await developments. Two principles still firm: (1) we were against communism; (2) our historic friendship for China and our desire to help Chinese people remained unchanged. But we could make no suggestions or promises beyond this without adding to confusion. Chinese must make their own decisions. They could be assured that we were watching with sympathetic concern and readiness to assist whenever this seemed advisable. For rest they could only use their best judgment. If they attempted resumption of peace

talks and Communists proved themselves to be bent on domination of country for their own partisan ends, people could be aroused to this menace and US would not be indifferent. I promised to inform Department of interview and to advise him if occasion arose.

STUART

893.00/12-3148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 31, 1948—2 p. m.

[Received 3:40 p. m.]

2677. T. V. Soong ⁹² tells me he had long talk with Generalissimo and that Generalissimo failed to mention any plans to retire. As I had expected, T. V. confirms that peace makers, but particularly Kwangsi clique, have endeavored strengthen their case by unfounded assertions that I, the American Embassy and the American Government desire retirement Generalissimo. T. V. requested I inquire Department whether possible for US issue statement comparable that re Greece ⁹³ to effect that national interests of US require that Communist influence be halted at Yangtze River. He felt confident such action would deter Communists from endeavoring cross Yangtze and give South China time work out its salvation and set example of democracy. I refrained from pointing out the obvious difference between the Greek and China situations and merely promised to pass his suggestion on to Washington.

STUART

893.00/12-3148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 31, 1948—2 p. m.

[Received 3:31 p. m.]

2678. Conference of military leaders which has been taking place Nanking was called by Generalissimo we believe with view strengthening his determination continue resistance. Fu Tso-yi did not attend and Pai Chung-hsi who had telegraphed Generalissimo advice to retire could not of course attend. Those attending seemed to have strengthened his determination to carry on [approximately 13 letters garbled] we know of Chang Chi-chung's desire for cessation hostilities.

STUART

⁹² Governor of Kwangtung.

⁹³ Message by President Truman before a joint session of Congress on March 12, 1947, Department of State *Bulletin*, March 23, 1947, p. 534.

893.00/12-3148: Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 31, 1948.

[Received January 14, 1949.]

A-321. There can exist little reasonable doubt that Chinese Communist policy toward foreign correspondents, as set forth in Shanghai's airgram 1096 of December 17, is going to ape the Soviet model.

The two key points are contained in items 2 and 4 in the last paragraph of the reference airgram. The Chinese Communists propose to give correspondents "full freedom to report true facts". The rub here is that naturally the Chinese Communists will retain for themselves the right to determine what are the "true facts", rejecting as "untrue facts" all reports and stories not manifestly pro-Communist or which lack the epistemological approval which derives from publication in the Communist press. This is the whole rationalization for press censorship in the Soviet Union.

The other rub lies in the statement that "in so far as a state of war exists, the activities of foreign correspondents are to be subjected to the guidance of local military and political authorities". The "guidance" of military and political authorities everywhere, not only in Communist areas, is notoriously firm. Also, a "state of war" in Communist China is a continuing condition. If and when the Nationalist Government is defeated, class war will certainly remain, not to speak of the cold war in which the Chinese Communist Party has already so obviously chosen its side.

STUART

893.00/12-3148: Airgram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, December 31, 1948.

[Received January 14, 1949—1:50 p. m.]

A-67. ReEmbtel 2520, December 15 to Department. The following analysis is offered regarding developments leading to the present military position in North China.

North China Bandit Suppression Headquarters Commander Fu Tso-yi at the time of the collapse of the Nationalist position in Manchuria possessed a powerful military organization which had been successful against the Communists in minor battles but was still untried against Communist heavy forces. Indications in Nationalist publicity and private conversations prior to that time were that Fu would endeavor to extend his military base by action outward from

points then held and stabilize it by political attack on economic and social problems in order to win popular support. The military and political strategy both looked good and seemed strengthened by Fu's outward adherence to tactics of mobility and aggressiveness and action taken, however belatedly, to supply him with some American arms and munitions.

Fu's opportunity to take the initiative obviously arose first when the Communists began to enter the Great Wall in November. He failed to take that initiative and thus rendered valueless the lessons he should have learned from the Communist-Nationalist struggle of the last 3 years, particularly that Communist strategy was invariably based upon destruction of Nationalist communications with consequent isolation of various garrisons leading to their ultimate annihilation. As indicated in the Embassy's reference telegram, it had been expected that Fu would at least keep a back door open for retreat into Northwest China. An informant indicates that a Communist spokesman in a Yenching University speech on December 19 (Contel 589, December 24⁹⁴) stated Fu originally had an opportunity to withdraw either westward or from Tientsin southward by sea (this by implication with Communist acquiescence) but failed to take it. Instead when he began to be cut up by the loss of Paoting, Luanhsien and T'angshan he chose to pull back into the main towns of Peiping, Tientsin, Kalgan and T'angku.

It is to be supposed that Communist negotiators contacted Fu shortly after the fall of Manchuria (see Contel 608, December 29). By the time Fu had lost several buttress points he presumably had had other contact. The indication is that he refused to accept Chinese Communist terms, which surely must have been onerous, in anticipation of the probable prior fall of Nanking and in trust of his ability to hold strong points against Communist attack and thus force better terms.

The loss of Kalgan and the debacle which attended Fu's troops on the Kalgan-Nankow line has reduced to nearly nothing his bargaining power. He presumably still holds on in hope developments in Nanking will occur first and thus save his prestige for history and a semblance of political authority for the present. Thus also he might anticipate that peace terms worked out in Nanking would possibly benefit him if he were able still to present to the Communists a strong front by reason of his continued control of Peiping, Tientsin and T'angku. Indications are, however, that even this hedgehog strategy will be unsuccessful, for the Communists are apparently disputing his authority, in T'angku particularly. The morale and organization of

⁹⁴ Not printed.

Nationalist forces are such that defense of any point in North China could hardly be expected long to hold before a determined Communist attack. Peiping may have temporary immunity because of Communist reluctance 1) to expend men against a strong point which would later fall of its own weight (see Mukden) and 2) to incur odium of damaging "China's cultural capital". However, T'angku particularly lacks such immunity.

Negotiations have now apparently been broken off. The indication in Fu's camp that he was contemplating issuance of a peace appeal even before agreement with the Communists is an indication of political bankruptcy. The Communists, who have characterized him as a major war criminal, have stated categorically that he could reduce the punishment awaiting him by ordering the surrender and delivery undamaged of political and economic establishments in North China, but he could not thus avoid punishment. The farther Fu goes the harder the bargain will probably become. Rumors yesterday were that Fu was contemplating handing over immediately to Vice Commander Teng Pao-shan and going to Nanking, at the same time making a public statement to the effect he had relinquished his command. Indications today are that he is still vacillating, this presumably by reason of developments in Nanking. A political change in North China must in any event, however, be considered near.

Assessment of Fu's strategy as outlined above leads one inevitably to the conclusion that though he was a good disciplinarian and tactician in small-scale operations in backwoods of Suiyuan, he nevertheless was out-generaled and outsmarted by the Communists when they really got down to the task of wiping out Nationalist power in North China. To put up at least one good fight and retire, as was generally expected, would have been the least expected of him, but he failed even there, evidently shattered and thus driven to take refuge inside the city walls by the fate that befell his arms in east Hopeh and on the Kalgan front where he lost his personal armies. The unexpectedly low morale of his own troops must have been one factor making for defeat. A contributory factor was undoubtedly the failure of the National Government to provide authority, arms and equipment in sufficient quantity at an early date after his assumption of power in December 1947. The major cause for his failure, however, has undoubtedly been the circumstance that the situation just proved too big for him.

CLUBB

893.00/12-3148

The Consul General at Mukden (Ward) to the Secretary of State

No. 52

MUKDEN, December 31, 1948.

[Received December 29, 1949 (*sic*).]

The Consul General has the honor to describe closing episodes in the disintegration of National authority in the Northeast, documented by a diary⁹⁵ of events during the two months prior to the fall of Mukden on November 1, 1948.

The climactic military disaster at Tahasan during late October followed the familiar pattern of Government reverses, complete with last-minute command intervention by the Generalissimo himself, repudiation of competent commanders long on the scene, hasty and ill-fated reversals of strategy, lack of coordination between National forces in isolated pockets, and—most decisive of all—abject failure of fighting morale in every echelon. In this manner a veteran army of 250,000 men, in some measure trained and to a large extent equipped by the United States, fell apart without fighting seriously; there is evidence of extremely few Communist casualties at Tahasan. Red propaganda had called, "Your rifle is American, but your life is Chinese; save them both for the New China!"

Nor were the Kuomintang high officials more steadfast: in the remaining few days of grace they were intent upon their own escape, ignoring the opportunity to destroy vital military assets—important productive facilities headed by the Mukden Arsenal and the American artillery, vehicles, arms and military stores which remained in impressive quantity.

The crucial offensive from Mukden, utilizing the main strength of its garrison, which ended with disaster at Tahasan was in design the blow of a "hammer" toward the "anvil" of beleaguered National defenses at Chinchow. But the latter, under the command of General Fan Han-chieh, crumbled very rapidly before the Communist main pressure while rear guard action was detaining the Mukden forces. Military observers consider that the sudden and decisive loss of Chinchow may be attributable to the early failure of General Fan to carry out the defensive plan provided by the Northeast Headquarters. Though nominally a deputy of Northeast Commanding General Wei Li-huang, in Fan's concurrent position as "Commander of the Border Area Headquarters" he could temporize with Wei's orders. Indeed it is understood that the Generalissimo encouraged Fan's individualism, despite his limited military experience and the weakness of divided council, as a political buffer between Wei and the

⁹⁵ Not printed.

North China Headquarters—further evidence of Chiang Kai-shek's obsession with personal allegiance at any cost.

While the *coup de grâce* was military, the preceding two months witnessed accelerated progress in Mukden of the political and economic deterioration typical of Intramural cities, which finally overwhelmed the determined and partially successful efforts of the Wei administration to cope with its problems, most of them inherited from reprehensible predecessors in office. In mid-September the Wei regime was crippled by abrupt constriction of the last remaining measures of support from Nanking: the supply of currency was curtailed critically* and air deliveries of military food stores were cut by sixty per cent†—this at a time when the reserves of food, ammunition and raw material, the industrial efficiency of personnel and equipment, and the morale of both civilians and military were already close to the breaking point.

These alarming developments soon cut deep fissures in the political coalition which General Wei had carefully constructed behind his administration. The press flaunted censorship to blurt out the imminence of general starvation and the bankruptcy of Northeastern industry.‡ Food prices steepened their dizzy climb, despite a diminished money supply, when the Government ordered the imposition of virtual grain requisition for support of the Mukden garrisons§ The Liaoning Provincial Government, after first promising curtailment of land taxes, levied the 1948 crop without regard for the fifty per cent insect damage to the kaoliang crop and followed this with efforts, probably forcible, to "borrow" the 1949 tax||. Wei himself sought to resign, acknowledging frustration.

In short, the Nationalist cause in the Northeast was fast arriving at political and economic despair when the military debacle occurred, and its final erasure was for Northeasterners at every level of society indeed a form of "liberation," insofar as it ended their painful experience with the economic paralysis following National military stagnation in early 1947, and with the rapacious self-seeking and gross inefficiency consequent upon extreme personalization in the Government structure, where blind allegiance to the Generalissimo as an individual was the only path to preference, and corruption the accepted means to a livelihood in office.

Certainly the Northeasterner would be embarrassed to recall the heartfelt enthusiasm with which he welcomed National forces to Mukden in March 1946, pursuing a ragged Communist army. The force

*See Diary, September 16 [Footnote in the original.]

†*op. cit.*, September 18 [Footnote in the original.]

‡*op. cit.*, September 24 [Footnote in the original.]

§*op. cit.*, October 5 [Footnote in the original.]

||*op. cit.*, October 21 [Footnote in the original.]

which repelled Northeasterners from Kuomintang rule is measured by the stillborn "emancipationist" movement of mid-1948, and by the grave discontent which responsible local groups dared imprisonment to express openly[†]. There were even nostalgic reflections upon the order and stability of "Manchukuo." Now, as the Chinese Communist Party assumes control of a Manchuria unified militarily and politically, if not in sentiment and philosophy, it need not fear a popular opposition intent upon restoration of an unregenerate Kuomintang regime.

[†]See Diary, September 1, September 24, September 30. [Footnote in the original.]

SINKIANG: CONTINUED POLITICAL DEADLOCK IN PROVINCE; REFUSAL BY THE CHINESE GOVERNMENT TO PERMIT FLIGHTS OF AMERICAN MILITARY ATTACHÉ'S AIRPLANE TO SINKIANG; INTEREST OF THE UNITED STATES IN POSSIBLE TERMINATION OF SINO-SOVIET AIR AGREEMENT ¹

893.00/12-2247: Telegram

The Secretary of State to the Consul at Tihwa (Paxton)

WASHINGTON, January 9, 1948—1 p. m.

1. Dept would appreciate receiving detailed info re Sinkiang Moslem elements favoring closer relations with Pakistan and Afghanistan as counterbalance Chinese and Russian pressure. (Urtel 85 Dec 22 ²). In Nov at UNGA ³ meeting member Indian delegation told Dept officer that Pakistan agents had entered Sinkiang with view obtaining support for "greater Pakistan".

Attitude Pakistan and Afghanistan leaders to USSR believed to be basically anti-Soviet and characterized by fear and suspicion Soviet motives. Afghan geographic and economic position impels that country maintain correct diplomatic relations with USSR. Thus far diplomatic relations USSR and Pakistan not established. Unlikely Pakistan and Afghanistan would enter Soviet sphere except as result Soviet aggression, or wholesale infiltration.

Sent Tihwa repeated by airgram Moscow, Nanking, Kabul, Karachi, New Delhi, London.

MARSHALL

745.93/1-2548: Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, January 25, 1948—7 p. m.

[Received January 26—4:21 p. m.]

13. Sources (Turki merchants from Nanchiang in casual conversation) of previous information regarding possible trend toward closer relations with neighboring Muslim states have returned south.

¹ For previous correspondence on Sinkiang, see *Foreign Relations*, 1947, vol. VII, pp. 546 ff.

² *Ibid.*, p. 587.

³ United Nations General Assembly.

Unable discreetly to contact Shipton, former British now Indian Consul General, Kashgar, as British Consulate, Tihwa, which has Government of India code with Kashgar, closed since last February. Few useful messages can be exchanged with Shipton by Chinese telegraph *en clair* and mail of course insecure. Visit to Nanchiang planned for January now impracticable but will be made as soon as parts for command car (see Tihwa telegram to Department 10,⁴ repeated Embassy 20, January 22) are received.

ReDeptel 1, January 9. However, certain other items obtained locally follow. Talat Musa Bayev, large-scale Turki trader here, former student in Paris, considers Pakistan possible trade outlet for this area now blocked off by poor communications with China coast and continued absence of commercial agreement with USSR. He states trans-Karakorum route from Kashgar already usable by truck except for two passes only 500 kilometers apart. Completion of connecting road would not be a difficult engineering feat, he says, and Shipton understood to concur but Chinese authorities (see Tihwa telegram to Embassy 259, June 10⁵) disapprove project for strategic reasons.

Informant claims that, though way through Wakhan Valley exodus in Afghanistan is less dangerous topographically than over Indian passes, the Afghans are such lawless robbers that trade over this route to Kabul and beyond involves too great risk.

Tihwa clergy and several Hotien mullahs recently here agree that Sinkiang Muslims approve of the Pakistan faithful more than those of Afghanistan or Iran. They feel that Hindu India is being infiltrated by Soviet influence and charge Muslims from USSR with being "quite godless". However they distrust Russians only little less than Chinese partly perhaps since some of former at least claim same religion and latter are current "oppressors".

No confirmation thus far of any "Greater Pakistan" political agents in Sinkiang but in view of its need for outside markets commercial representatives may be increasing in the belief that closer trade relations between this province and Pakistan might assist in solution of common economic problems. South Sinkiang especially lacks other convenient outlets for its export products: silk, carpets, wool and grain. While mutual attraction between Muslims here and to the south based on trade and religion is evident, the difference in language between the two areas will continue to present serious cultural barriers.

Until my visit to Nanchiang is feasible, more information may be obtainable from New Delhi as Shipton is under Government of India

⁴ Not printed.

⁵ Text quoted in Embassy's airgram No. A-136, June 16, 1947, not printed.

and has no codes or direct mail communications with British Embassy, Nanking.

Sent Nanking 23, repeated Department 13.

PAXTON

893.00 Sinkiang/4-1348 : Airgram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, April 13, 1948.

[Received April 28—9:31 a. m.]

A-374. Reference Embassy's despatch no. 808 of February 11, 1947⁶ entitled "Views of Turkish Ambassador to China on Sinkiang Problem."

The Embassy is unaware whether anything ever came of the suggestion that Turkey establish some form of representation in Sinkiang but believes the encouragement of closer Turkish ties with this area of Asia still to be a valid and worthwhile objective. Developments of the past year have served only to emphasize the urgency of counter-ing Soviet influence in Central Asia. It is therefore suggested that the Department may again wish to explore the question of Turkish representation in Sinkiang and that the opinions of the Embassies in Nanking and Ankara would be pertinent.

It is also suggested that in assigning personnel to Tihwa consideration be given to selecting officers with Near Eastern experience and knowledge of the Turkish language.

SMITH

893.00/5-448 : Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, May 4, 1948—5 p. m.

[Received May 6—9:55 a. m.]

50. Reference mytel to Nanking 479, repeated Washington 83, December 17.⁷ Vice Consul Dreessen was informed by Foreign Office del. Liu, during my absence in South Sinkiang, of recent exchange of notes between the Ili group and General Chang.⁸ As Liu was endeavoring to provide us with texts, I suggested that report be deferred until my return.

⁶ Not printed.

⁷ *Foreign Relations*, 1947, vol. VII, p. 586.

⁸ Gen. Chang Chih-chung, Director of President Chiang Kai-shek's Northwest Headquarters.

On May 1 he gave me copies of the texts of both which are now being translated.

The main points of the Ili note of February 17 follow:

(1) Accuses Osman and Halibek (see first paragraph mytel to Emb 65, repeated Department 33, March 1,⁹ and previous) of frequent illegalities and charges Garrison Commander Sung of abetting them and requires that Osman and his followers be arrested and handed over to the Ashan Government for trial by the people and similarly for Halibek;

(2) Reiterates that Sinkiang Progressive elements were arrested by military and police agents in Tihwa, Hami and Nanchiang without legal basis except in eyes of those responsible;

(3) Insists upon removal of Mesud¹⁰ as chairman because he is not real leader of the people and his continuation in office can only increase poverty, confusion and misfortune for Sinkiang;

(4) Denies any Ili connection with revolts in Tulufan, Shanshan and Tokohsun which were merely signs of oppression, irresponsibility and illegality by military and police in those areas.

Consequently, before peace negotiations can be resumed persecution of Progressive elements must be stopped, Mesud removed from chairmanship, all imprisoned patriots released, those responsible for their mistreatment punished and Osman and Halibek publicly tried.

Soon after its receipt and translation into Chinese of the Turkish text, a delegation of high Chinese officials flew to Lanchow (see mytel to Emb 75, repeated Department 39, March 11⁹) to consult with General Chang. His reply dated April 1 summarized as follows: Why did the Ili group not reply to five points for action by the dissidents suggested in General Chang's December 10 note?⁹ If they are ready to carry out these minimum requirements for implementing the peace terms, reply is required to show their sincerity in seeking solution along lines agreed to and to clarify their real intention.

This exchange of notes according to several Chinese officials interviewed on subject indicates no amelioration in the situation of deadlock.

Consulate feels that no peaceful improvement can come except through administrative and economic reform. Progress is being made but it seems too slow to prevent collapse of native support in the event of attack with any considerable Soviet support.

That attack is certain this year was prognosticated by several Chinese Army officers interviewed on my trip to Nanchiang, some feel probably by August.

Sent to Embassy 106, repeated Department 50.

PAXTON

⁹ Not printed.

¹⁰ Also known as Masud Sabri, Chairman of Sinkiang Provincial Government.

745F.93/5-548 : Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, May 5, 1948—2 p. m.
[Received May 6—11:01 a. m.]

51. Personal enquiries from informed sources in neighborhood of convenient passes at Kashgar, Pishan (Gumabazar), Soche (Yarkand) and Hotien (Khotan) including British ConGen, Chinese military officers, Han and Turki civil officials and residents on recent travel in south revealed no trace of any Pakistan political agents. Trade continues however across Karakoram by both Leh and Gilgit routes though reduced by Kashmir disturbances (refmytel to Nanking 23, repeated Washington 13, January 25 and to Nanking 67, repeated Washington 34, March 3¹¹).

Possibly arrival in Sinkiang of Hunza envoys in October occasioned confusion in Indian Government reports in November.

Learned from competent Muslim scholars in Kashgar that majority of both Pakistanis and Sinkiang Turkis belong to Sunni sect whereas Iranians are chiefly Shiites. This would help account for attraction between Sinkiang and Pakistan faithful. Reported lack of cordiality between Turkis here and Afghans, also Sunnis, might be due to lack of commercial contact. Most Hutrans belong to Agha Khan's Moal'ai sect but appear to meet little opposition from Sunnis on doctrinal grounds.

Tihwa telegram to Embassy 107, repeated Department 51, May 5.

PAXTON

702.6793/5-2648 : Airgram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 26, 1948.
[Received June 9—8:04 a. m.]

A-149. Reference Moscow's A-374, April 13, 1948, concerning the suggestion that Turkey establish representation in Sinkiang.

Embassy is completely in accord with views expressed by Moscow on the desirability of such representation. Embassy would, however, suggest that Iran and Afghanistan also be encouraged to maintain representatives. On various occasions this question has been discussed with Nanking diplomatic representatives of Turkey, Iran and Afghanistan, usually at their instigation. In every instance these diplomatic representatives have expressed the view that their countries might contribute to stiffening Sinkiang resistance of Soviet

¹¹ Telegram No. 34 not printed.

penetration. It is not known whether these individuals have so recommended to their own government. . . .

It is suggested that greater progress might be made were the appropriate American Missions to be instructed opportunely to discuss the question in Ankara, Teheran and Kabul. As occasion presents itself the Embassy will, of course, continue to suggest the desirability of the course suggested by Moscow.

STUART

893.796/S-1148

The Ambassador in China (Stuart) to the Secretary of State

No. 342

NANKING, August 11, 1948.

[Received August 23.]

SIR: I have the honor to refer to the Military Attaché's ¹³ Report No. R-576-48 of July 31, 1948,¹⁴ which should be available to the Department, regarding the refusal of the Ministry of National Defense to permit the Air Attaché's ¹⁵ plane to proceed beyond Lanchow en-route to Tihwa, even though prior clearance for the flight had been obtained, and to enclose for the Department's information a copy of a memorandum on this subject prepared by the Minister-Counselor ¹⁶ who was using the plane in question in an effort to inspect the Consulate in Tihwa and to carry supplies there.

Two things seem to stand out from the reports of this incident:

(1) There exists a Sino-Soviet air agreement signed in Chungking, September 9, 1939, in a weak moment by the Chinese Minister of Communications with the Soviet Government, under which only Soviet and Chinese planes may fly in the China Northwest; and

(2) The fact that the Chinese Government, in spite of the great scarcity of United States dollars, was prepared to expend about US\$24,000 chartering a CNAC ¹⁷ plane to carry the Minister-Counselor to Tihwa in order to avoid giving the Soviets an excuse for stirring up trouble in the Northwest.

In strict confidence we were informed that the Chinese Government about two weeks ago, or since this incident arose, has taken advantage of the provisions of the Sino-Soviet air agreement to denounce it so that it will cease to be in effect September 9, 1949. A copy of the agreement has been obtained in confidence from the Ministry of Foreign Affairs and forms the subject of the Embassy's telegram No. 1489, August 12.¹⁸

¹³ Brig. Gen. Robert H. Soule.

¹⁴ Not printed.

¹⁵ Lt. Col. A. T. House, Jr.

¹⁶ Lewis Clark.

¹⁷ Chinese National Aviation Corporation.

¹⁸ *Infra*.

As matters now stand, and unless we are directed by the Department to pursue the matter further, no American planes will henceforth be allowed to proceed west of Lanchow on official flights of this Mission. We are reluctant at this stage to suggest that we be instructed to pursue the matter further in view of the fact that the Chinese, from the Generalissimo¹⁹ down, have intimated so clearly to us from time to time that China is just not prepared to take a strong stand in respect of the Soviet Union until it has a reasonable expectation of firm, effective and continued support from the United States.

Respectfully yours,

For the Ambassador:

LEWIS CLARK

Minister-Counselor of Embassy

[Enclosure]

*Memorandum by the Minister-Counselor of Embassy in China
(Clark)*

General Soule in his report No. R-576-48, July 31, 1948, seems to have covered rather well the background of my unsuccessful effort to visit Tihwa, so I shall outline below only those things of which I have personal cognizance and which are not included in General Soule's report.

In the telegram which I despatched from Lanchow to the Ambassador on Monday, July 26, I mentioned our information to the effect that our plane had been grounded under instructions from the Minister of National Defense himself and requested the Ambassador to intervene with General Ho Ying-chin to obtain permission for us to continue our journey.

At the dinner given by General Chang Chih-chung, but at which he was not present that evening, I gathered the distinct impression that it was General Chang who was holding up our flight because he had not been previously notified of our plans. Accordingly, the following morning I arranged to go pay my respects to the General at Hsi Lun Shan, about 65 miles outside Lanchow. General Chang supplied the transportation. When we arrived, he was most pleasant; did seem a little bit put out that he had not been notified in advance of our arrival, but showed every willingness to be helpful and promised to send a telegram to Nanking urging that we be permitted to continue our journey. He later telephoned into Lanchow saying he had actually despatched the telegram.

Immediately upon my return to Nanking, and after consultation with the Ambassador, I sought an interview with the Foreign Min-

¹⁹ Chiang Kai-shek, President of the Republic of China.

ister²⁰ to find out why I had been stopped. He was in Mokanshan, but immediately upon his return he gave me an appointment and I saw him on Saturday morning, July 31. With some heat or severity I told him of the cavalier manner in which I had been treated in Lanchow and insisted that in order to restore my prestige in my official position it was necessary that I return via Lanchow to Tihwa in the same airplane. He seemed much surprised that the plane had been stopped after prior permission had been granted and promised to look into the matter and let me know. He endeavored to deny that there was any Soviet aspect of the problem, saying no Soviet protest had been made to the Foreign Office.

The following Tuesday Dr. Tung Lin, Director of the American Section of the Foreign Office, told me the Minister had asked him to see me regarding my flight to Tihwa. Dr. Tung said that he had been instructed to offer to send me to Tihwa in a plane supplied by the Chinese Government. After insisting for some time that my prestige could only be re-established by returning in the same plane, and pointing out that the four-motored plane had been specifically provided for the Embassy for such trips, and remarking that I was unwilling to risk my life over the mountains in less than a four-motored plane, I finally, under Dr. Tung's insistence, agreed to consider the possibility of accepting passage in a four-motored plane to be supplied by the Chinese Government. (So far as I knew, and I mentioned it to Dr. Tung, the only suitable four-motored plane in the possession of the Chinese Government was the Gimo's Skymaster.) I made the reservation, however, that I would have to obtain the Ambassador's approval before accepting such transportation as the Ambassador felt rather strongly I should return in the same plane.

On August 9 Dr. Tung telephoned to say that he had been able to arrange for a DC-4 plane to take me to Tihwa, wait for me and bring me back on my revised schedule or at any time convenient. Further inquiry revealed that under instructions from the Prime Minister,²¹ the Chinese Government was preparing to divert from its regular run a CNAC Skymaster to take me to Tihwa and return at an estimated cost of around US\$24,000. I immediately told Dr. Tung that I could not accept this arrangement until I had spoken to the Ambassador, particularly as it seemed to me a crime for the Chinese Government, short as it is of U. S. dollars, to be spending \$24,000 just to prevent me from going to Tihwa in our own Embassy plane. I discussed this problem with the Ambassador who was seeing the Gimo that afternoon and promised to take the matter up with him. The Ambassador planned to suggest to the Gimo that the Chinese Govern-

²⁰ Wang Shih-chieh.

²¹ Wong Wen-hao.

ment go informally to the Soviet Embassy and explain that the plane carried no armament whatsoever, was engaged in a peaceful mission, and could in no way be a threat to the Soviet Union. This he did, and the Gimo replied that it would be much better, he believed, for us as well as for China, if we would let the matter drop. The Russians had made no specific protest and he didn't believe they would get themselves into the position of making a protest. There was some sort of an agreement, he said, between the Soviets and the Chinese which had been forced on the Chinese in a weak moment, under the terms of which the Chinese had agreed that no planes other than Soviet or Chinese planes would be allowed to fly in the Sinkiang area. He wasn't sure whether the agreement was still in effect, but it didn't make much difference as the Soviets considered it still to be in effect and if the Chinese continued to let our planes fly to Tihwa, the Soviets would not protest, but by various means they would make the life of the local officials in the Northwest so miserable that it really wouldn't be worthwhile. He felt that he owed it to the local officials in the Northwest not to subject them to such indignities. He hoped, therefore, that we would consent to use only Chinese aircraft in flying personnel or supplies to Tihwa and suggested that I use the plane which was being put at my disposal under his instructions.

With this information I called at the Foreign Office on August 10 and saw Dr. Tung. I told him flatly that, having consulted with the Ambassador, we were unwilling to let the Chinese Government spend US\$24,000 to get me to Tihwa and that, accordingly, he could cancel his plans for the charter of the CNAC plane. I then recounted to him what the Gimo had said to the Ambassador, and said I would try to forget the indignity to me if he would let me have a copy of the agreement to which the Gimo had referred. Dr. Tung promised to endeavor to secure a copy of the agreement for me and he telephoned later to say that he had checked with the Foreign Minister and there had, in fact, been an agreement back in the early days of the war with Japan, signed by the Minister of Communications with the Soviets. It was a Sino-Soviet air agreement dealing with the services of a single Soviet line between Hami, Tihwa and the Soviet Union. The term of the agreement was for ten (10) years and it was subject to cancellation on one year's notice. Dr. Tung told me in confidence that a couple of weeks ago the Chinese had served notice on the Soviet Government that they would terminate that agreement in one year. On my insistence that he get me a copy of the agreement, he promised to see what he could do.

L[EWIS] C[LARK]

893.796/8-1248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 12, 1948—noon.

[Received August 12—noon.]

1489. As by-product of matter reported in Embassy's despatch 342 of August 11, Tung Lin, FonOff director American Affairs, handed us August 11 in strict confidence copy of agreement dated September 9, 1939, at Chungking between Chinese Ministry of Communications and Central Administration of Civil Aircraft of USSR for the establishment of regular air communications between Hami and Alma-Ata. Text is identical with that enclosed under Embassy's secret despatch 854 of July 2, 1947 (see also Deptel 611, May 23, 1947, Embassy's telegram 1213, June 4, 1947).²² FonOff text, however does not contain appendices given in enclosure of Embassy's despatch 854.

Tung Lin asserted with straight face that FonOff until last few weeks had no knowledge of existence this agreement. He informed us, however, that USSR has been given formal notice of intention of Chinese Govt to terminate agreement under article 16. Embassy's understanding is that in light of this notification agreement will expire September 9, 1949.

Sent Dept 1489 repeated Shanghai 718, Tihwa 89.

STUART

893.00/8-2548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 25, 1948—5 p. m.

[Received August 25—7:14 a. m.]

1571. As further evidence of weak-kneed policy of Foreign Minister Wang Shih-chieh in respect of USSR is request of us today that we nominally place our Service Attaché's aircraft under AAG²³ and so inform FonOff even though operational control and expenditures in connection with such plane could be maintained as heretofore. In making this request of us Tung Lin, Chief American Section FonOff, speaking under instructions Foreign Minister, said Chinese Government was worried for fear that Soviets might some day demand privileges assigning Soviet planes to Soviet Embassy, Nanking, and fly about China in detriment Chinese interests.

We explained reciprocal basis authority Service Attaché planes to operate in another country and pointed out that Soviets refused per-

²² None printed.²³ Army Advisory Group.

mission our Embassy or others maintain planes Moscow with resulting unlikelihood Soviets would request authority Soviet Embassy planes fly China if confronted with demand reciprocity. Mentioned also effectiveness of declaring prohibited areas and strongly recommended that Chinese not raise issue. We were nevertheless requested to report to Department for instructions.

This is but another instance where Chinese recently have sought to curb our activities in China on basis of possible Soviet future request for similar privileges. Other recent examples are restriction of foreign travel, which we have protested, and refusal Chinese Government permit our service planes fly west of Lanchow. We mentioned this trend to Tung Lin who denied emphatically that there was anything behind Chinese Government desire except to protect itself against possible future Soviet infiltration.

Nevertheless, given Gimo's deep-seated fear of Soviet aggression (Embtel 1570, August 25²⁴) and given present Foreign Minister Wang Shih-chieh's fear of incurring wrath of Gimo we cannot resist temptation to conclude that we are being subjected to a mild form of blackmail. Officials of Chinese Government from Gimo on down have missed no opportunity in recent months to assure us that when we had situation in Europe well in hand and had given evidence of an ability and willingness to give large and continuing support to China in resisting Soviet aggression in Far East, then and only then would it be possible for Chinese Government to consider taking a firm stand in respect of USSR.

Accordingly we recommend that we be instructed to inform FonOff that it is impossible to participate in subterfuge it has suggested in respect of our Service aircraft.

STUART

893.796/S-2648 : Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, August 26, 1948—10 a. m.

[Received August 26—7:13 a. m.]

81. Foreign Office official informs me (refEmbtel to Department 1489, August 12) that he is flying to Alma-Ata August 31 for first Sino-Soviet board of directors meeting in 4 years.

He said that if conditions warranted they might refuse to renew agreement but implied this action not certain.

Sent Nanking 159; repeated Department 81.

PAXTON

²⁴ *Ante*, p. 438.

893.796/8-1248 : Telegram

The Secretary of State to the Ambassador in China (Stuart) ²⁵

WASHINGTON, August 27, 1948—7 p. m.

1239. Your 1489, Aug 12 and Tihwa's 159, Aug 26 to Emb.²⁶ Providing Emb concurs Dept authorizes Emb inform Tungling, FonOff director American Affairs, orally Dept gratified hear ChiGovt has given USSR notice intention terminate agreement.

MARSHALL

893.796/8-3048 : Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, August 30, 1948—5 p. m.

[Received August 31—6:26 a. m.]

82. Today Liu called prior to departure for 2 weeks' conference and yielded following information reference Deptel 32, August 27: ²⁷

(1) Only after our talk reported mytel to Embassy 159, August 26,²⁸ had he received news from Foreign Office (perhaps from Pu Tao-ming en route Paris) that termination notice had already been given to Soviet authorities and (2) he still, however, has authority to negotiate new agreement if Chinese demands for more favorable treatment are met. He said that his own staff had not been told of this and asked that it be kept confidential, particularly from Chinese officials.

This message sent through Department since Tihwa has very small reserve of OT Pads with Embassy (see mytel 71, July 18,²⁹ as yet unanswered), and it seems better to save remainder for emergency.

Sent Department 82, repeated Nanking 162.

PAXTON

893.796/8-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 30, 1948—6 p. m.

[Received August 30—11:54 a. m.]

1594. ReDeptel 1239, August 27, 7 p. m. It now develops that the assurances given by Foreign Office as contained in Embtel 1489, August 12, noon, may not be all they seemed. Embassy learns that

²⁵ Repeated to the Consul at Tihwa as No. 32.

²⁶ For the latter, see telegram No. 81, *supra*.

²⁷ See footnote 25, above.

²⁸ Repeated to the Department as No. 81, p. 739.

²⁹ Not printed.

several days ago Soviet Ambassador ³⁰ entertained Foreign Minister, Minister Communications ³¹ and Secretary General of Executive Yuan ³² at a small informal dinner at which main topic of conversation was Sino-Soviet airline. As a result of this conversation denunciation of treaty is still under consideration. Foreign Office official recently informed a reliable American newspaper man that matter had not been decided upon.

Consul Tihwa reports that Foreign Office representative in Tihwa is proceeding to Alma Ata for first Sino-Soviet board of directors meeting in 4 years. Foreign Office delegate said China might attempt to denounce agreement but said this not certain.

In view of Chinese record to date on questions in which Soviet express an interest, Embassy inclines to view that Chinese in this case would also yield to pressure. Unless we are prepared to offer a substitute for Sino-Soviet airline it is difficult to see how we can do more than express the hope that agreement will be denounced. We do believe, however, that if the Chinese do not denounce the agreement we should make it plain that we cannot accept Soviet interpretation that monopoly features of agreement embrace anything more than commercial service between Hami and Alma Ata and we should at the same time insist on our rights send in Attaché planes.

STUART

893.00/9-148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 1, 1948.

[Received September 1—8 p. m.]

1611. Following is text of AP Nanking September 1 dateline story:

"Chinese Government in secret order has banned all foreign aircraft—except Soviet—from operating into its far west provinces in what some quarters interpreted as appeasement of Moscow.

First victim this unpublicized regulation was US Minister Lewis Clark whose Embassy airplane was grounded by Defense Ministry officials at Lanchow while en route to inspect and supply American Consulate at Tihwa.

Soviets fly freely over Sinkiang border province under 10-year-old airline agreement with China. One Nanking official said however that Chinese Government already given Moscow formal notification its intention terminate 'monopoly' pact when its original term ends September 9 next year.

Asked to confirm China's denunciation Sino-Soviet air agreement Foreign Office spokesman answered with crisp note 'no comment'.

³⁰ N. V. Roschin.

³¹ Yu Ta-wei.

³² Li Wei-kuo.

Other Foreign Office sources confirmed knowledge of order barring foreign aircraft from flying west of Lanchow. They denied however any knowledge of reasons for action, apparently taken by Defense Ministry under instructions from 'highest authority'.

Some observers here said order possibly resulted from Soviet pressure which claimed agreement for Russian operation commercial airline from Soviet Alma Ata to Hami on Sinkiang's eastern border gave Soviets exclusive right overfly Sinkiang.

Clark and his pilots Lt. Col. A. T. House, Jr., Long Beach, Calif. and Major Kearie Berry of Austin, Texas spent 2 days at Lanchow attempting unsnarl orders which halted their previously cleared flight, then returned Nanking.

Embassy sources confirmed that Chinese Government here refused permission for subsequent flight Embassy's plane to Tihwa and that Clark protested Foreign Office China's action preventing him inspecting supplying consular offices within his jurisdiction. It intimated any further action on matter would come from Washington.

Persons in Tihwa during previous visits American aircraft there said each flight followed by bitter Soviet charges purpose was to 'spy and photograph' areas well within Russian sphere.

It known here Moscow exerting heaviest pressure Chinese officialdom for extension pact which gave them commercial air monopoly over province in which they long held great political economic powers.

Chinese officials been openly unhappy over agreement by which so-called 'Sino-Soviet Airline Corporation' formed. These officials said Soviets retained full control airline despite agreement which provided Russian Chinese general managers alternate years.

Agreement signed September 9, 1939 during period Chiang Kai-shek Government leaning heavily on Russian support. Pact is still on Foreign Office secret list and officials declined disclose its exact contents. It known however failure either party denounce pact 1 year before expiration date permits automatic 5-year extension.

This airline only regular link between Sinkiang capital and insurgent held Ining although only passengers acceptable Soviet officials in Tihwa permitted fly route.

Official sources said this complete Soviet control airline prompted Chinese General Chang Chih-chung contract for special by-weekly charter service from Sh[ang]ai to Tihwa by Chinese Air Transport Corp., in 1947. At that time he rejected Soviet protests these flights infringed on 'monopoly' with explanation they were Chinese Government charter operations.

With National Government blocking foreign plane flights into Tihwa, American Consulate there can be supplied only by special arrangement permission Chinese officials who control occasional air trips or complete dependence Soviet operated airline.

Despite official denials some quarters here believe sudden meeting Sino-Soviet airline board of directors at Alma Ata and visit Director Foreign Office West Asian Department, Pu Tao-ming, to Moscow directly connected with diplomatic battle over continuance Soviets' monopoly over Sinkiang flights."

893.796/9-148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 1, 1948—5 p. m.

[Received 7:59 p. m.]

1613. Re Embtel 1611, September 1. Associated Press wrote story on Sino-Soviet airline based entirely on material obtained from Chinese sources though we were previously informed it was to be written. Unless otherwise instructed, Embassy will maintain a no comment policy when queried by other correspondents. Embassy believes story is substantially accurate though it has as yet no definite information as to whether Chinese have actually denounced 1939 agreement as they had informed us they had done and, if not, whether they intend to do so.

Embassy is now reconsidering recommendation made in its 1571, August 25 and will shortly report again to Department. Basis for this reconsideration is opinion of General Thomas,³³ Chief Air Division, AAG, that refusal of Chinese request to put Attaché planes under nominal AAG supervision may result in drastic Chinese curtailment of activities, freedom of motion AAG planes. General Thomas says he is fairly certain much of current trouble arises from presence in China of Attaché B-17 which AV [*he?*] says is red flag before bull since in eyes of Chinese it represents military plane associated with military operations, regardless of fact it is unarmed. General Thomas says he has information Soviets have requested permission for an Attaché plane and Chinese do not wish to grant permission. General Thomas is filing a request through normal channels for permission for an AAG plane to take Minister-Counselor to Tihwa. In this connection see Embassy despatch 342, August 11.

STUART

893.796/9-348 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, September 3, 1948—6 p. m.

1269. Request verification press reports Hollington Tong³⁴ officially announced China notified USSR desire terminate Sino-Soviet Agreement Hani-Alma Ata airline.

MARSHALL

³³ Brig. Gen. Charles E. Thomas.³⁴ Director of the Chinese Government Information Office.

121.5593/9-448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 4, 1948—10 a. m.

[Received September 4—7:49 a. m.]

1624. We have been giving further thought to question of assignment of Attaché aircraft to Air Division, AAG, as suggested by General Thomas, Chief Air Division, AAG, and Military and Naval and Air Attachés.³⁵ We have decided to adhere to our original recommendation that those aircraft continue in present status assigned to the Naval and Air Attachés. Chinese are aware of intelligence function of Attachés and transfer planes to AAG would create suspicion among Chinese of AAG participation intelligence activities. Also in event planes were assigned to AAG and AAG were dissolved it might prove difficult to secure agreement from Chinese to reallocate planes to Embassy.

Some of current difficulties with Chinese over operation Air Attaché aircraft apparently stems from fact of Air Attachés' use of B-17 converted combat type plane despite previous Chinese concurrence in use this particular plane. Difficulties have also arisen from fact that Chinese Air Force has failed to provide in writing procedures for clearance Attaché aircraft on intra-Chinese flights. Substitution of commercial type aircraft with same performance characteristics as B-17 currently unfeasible because such planes now in short supply. Chinese Air Force has promised Air Attaché to clarify and codify clearance procedures so that difficulties stemming therefrom should soon be reduced. Also Ministry National Defense and Foreign Office are in process developing regulations governing use Attaché aircraft in China. In this connection would appreciate Department's sending us soonest possible regulations on use aircraft by foreign Military and other Attachés.

STUART

893.00/9-748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 7, 1948—6 p. m.

[Received September 8—4:26 a. m.]

1636. In making decision on Embtel 1571, August 25, regarding Chinese suggestion that Service Attaché's aircraft be nominally placed under AAG, Department may wish to consider following.

³⁵ Brig. Gen. Robert H. Soule, Capt. Samuel B. Frankel, and Lt. Col. A. T. House, Jr., respectively.

Foreign Minister has taken firm decision that foreign diplomatic mission aircraft would not at this stage of affairs be permitted to fly in China. In harmony with this decision, he has flatly refused British Embassy permission fly its aircraft in China, which it had sought to bring here from Hong Kong. In addition, circular is going forward to all Missions in very near future advising of this decision Chinese Government.

STUART

893.796/9-748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 7, 1948—6 p. m.

[Received September 8—5:01 a. m.]

1640. ReDeptel 1269, September 3, 6 p. m. At regular weekly press conference September 2 Hollington Tong stated that according to terms of Sino-Soviet air agreement either party can notify the other of its desire to discontinue the pact one year in advance and that the Chinese Government has so notified Soviets.

Tong added that as regards any foreign or private plane which intends to travel in any part of Chinese territory permission is required from the competent Chinese authorities who will consider each case in the light of technical and security conditions.

STUART

121.5593/9-1148 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, September 11, 1948—noon.

1299. Dept requests you again orally inform FonOff USGovt gratified 1939 agreement terminated and trusts no further action will in any way affect flights US planes servicing Consulate Tihwa (your 1640 Sept 7). If Emb considers it desirable in order insure freedom movement US planes you may take position this Govt sees no connection provisions agreement establishing commercial air monopoly and right USGovt aircraft operate noncommercial basis (your 1594 Aug 30).

Reasons set forth urtel 1624 Sept 4 against assignment Attaché's planes Advisory Group valid but in view FonMin action assignment planes Advisory Group appears offer only solution if planes remain operational.

In forming FonOffi planes being assigned Advisory Group Emb should express hope restrictions mentioned urtel 1636 temporary and

stress desirability having planes at earliest opportunity returned to control Attachés who function under Emb. In discretion Emb might point out US offers China reciprocal rights operate Attaché planes but FonOff action places China under same restrictions countries not offering reciprocity. Procedure governing use foreign Attachés' aircraft in US being sent separate telegram.³⁶

MARSHALL

893.796/9-2548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 25, 1948—1 p. m.

[Received September 25—4:06 a. m.]

1765. Nanking *Central Daily News*, Government-controlled organ, of September 25 states Government has under consideration Soviet "formal demand" for Sino-Soviet air agreements, and that Government would welcome new air agreement in interest maintaining Sino-Soviet air communications; and that agreement must be "new" and "without connection" with former agreement except that the aerial routes covered should be the same as those previously provided for.

Ministry Communications spokesman has verified USIS³⁷ report in interview with American correspondent, stating *Central News* broke story without authorization. Also stated that time and place new negotiations not yet set.

Sent Department, repeated Shanghai 852.

STUART

761.9327/9-2748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 27, 1948—6 p. m.

[Received 10:22 p. m.]

1773. Dr. Andrew Lin of Ministry of Communications has confirmed to Embassy statement which he, as spokesman, made to local press re Sino-Soviet air agreement (reEmbtel 1765, September 25, repeated Shanghai as 852).

Lin stated that impending renegotiation this agreement had no relation to stoppage military airplane at Lanchow en route to Tihwa last month (see Deptel 1299, September 11). By devious and highly speculative circumlocution, Lin implied that possible reason for stopping plane which may have occurred to some Chinese official in authority

³⁶ Telegram No. 1298, September 11, not printed.

³⁷ United States Information Service.

was that presence of Americans flying into Tihwa might complicate Chinese relations with Soviets.

Sent Department 1773; repeated Shanghai 863.

STUART

761.9327/9-2948 : Airgram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, September 29, 1948.

[Received October 5.]

A-891. Following is UP release datelined Nanking, September 28 which appeared local press:

"SSAC Directors Meeting Is Now Deadlocked."

"Central News reported today that the Sino-Soviet Aviation Company's directors, meeting at Alma Ata is now deadlocked on a disagreement over the personnel problem.

"It said that consequently the 1939 Sino-Soviet air pact will expire as scheduled on September 9 next year. The aviation company created under the pact shall be dissolved.

"The Chinese Government already has notified Soviet Russia of its desire to terminate the pact, but the Soviets requested renewal or conclusion of a new pact. The personnel deadlock apparently has decreased hopes of a renewal.

"Chinese quarters regarded the Sino-Soviet airline as the "Sinkiang appendicitis", which they alleged the Soviets are employing as an avenue of exploitation.

"Though the airline is owned by the Soviets and the Chinese jointly on a 50-50 basis, it is virtually completely controlled and run by the Soviets, with a predominantly Soviet staff."

CABOT

121.5493/9-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 30, 1948.

[Received September 30—4:23 a. m.]

1798. Following statement in September 24 edition Central News Agency attributed to Department spokesman, as statement Department views on problem clearance our Attaché plane's flight to Tihwa:

"China is not blocking the flight of an American Embassy supply plane to Tihwa, the State Department said today.

"The statement was made in response to a Central News query regarding local press reports which stated that the United States was trying to overcome Chinese objections to send a supply plane there and quoted official sources as saying that American Embassy officials were hopeful that the present negotiations would clear the flight despite the Sino-Soviet air treaty of 1939.

"State Department officials said that they have been assured by China that the flight will be cleared on application to the proper authorities although they were unable to say whether the Embassy is making such an application. They further said that the application was probably delayed until the expected new regulations are promulgated.

"As far as we are concerned, the officials said, there is no block on the part of China and the plane has not gone to Tihwa probably because we have not yet applied for clearance."

STUART

121.5493/9-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 30, 1948—3 p. m.

[Received September 30—4:33 a. m.]

1799. Have not yet exhausted efforts obtain FonOff approval Attaché plane flights continue same basis heretofore and not yet accepted FonOff counterproposal to transfer plane to AAG as authorized urtel 1299, September 11. Instead, we requested they register transfer C-47 from AAG to Air Attaché, but FonOff note replied that "foreign diplomatic missions or Attachés providing own aircraft is not agreeable to Chinese Government, Ministry cannot grant request". This stand, in conjunction with oral statement to Minister-Counselor by head protocol division that FonOff reluctant grant Attaché plane privileges to US lest British and Russians demand same which Chinese Government not disposed to grant, bears out our belief 1939 Sino-Soviet air agreement not the real obstacle to granting permission for Tihwa flight (see enclosure to Embdesp 343 [342], August 11). Above background submitted light of alleged Department statement contained ourtel 1798 of September 30. We are endeavoring supply Tihwa by using plane facilities AAG to Lanchow, thence by truck to Tihwa.

STUART

121.5493/9-3048 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, October 1, 1948—8 p. m.

1385. Dept issued no statement re clearance attaché plane flight Tihwa (urtel 1798 Sept 30). Believe story misrepresentation reply to Central News query about Sept 10 when Dept officer indicated (1) not our opinion ChiGovt had placed blockade against US planes; (2) ChiGovt had informed us would require prior clearances all future

flights; (3) we understood ChiGovt presently revising regulations governing air transport.

While Dept believes inadvisable issue denial or otherwise revive public interest in story now dead in US press, Emb in its discretion may find occasion and means use this apparently deliberate misrepresentation by ChiGovt agency in pressing for early solution of problem.

LOVETT

S93.00/10-248 : Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, October 2, 1948—5 p. m.

[Received October 3—3:35 a. m.]

93. Rumors received from two separate sources that dissident zones beginning to discontinue designation of area as "East Turkistan Republic" in favor of "Sinkiang", to replace independent flag (white star and crescent on green field) with Chinese national standard and even to accompany Turkistan official documents with Chinese text. Abassof, Ili-appointed Vice Secretary General of Provisional Government, is said to be heading organization in Ining for "peace and unity".

These reports, if true, indicate move toward reconciliation with Central Government or at least with General Chang Chi-chung. Early conciliatory Ili reply to Chang's letter of April 1 (see mytel to Embassy 106, repeated Department 50, May 4) would provide substantiation.

While certain native anti-Soviet elements in the Ili group such as Rene Bator (see mytel to Embassy 125, repeated Department 66, June 29³³) may be responsible for initiative and some Ili leaders appear to consider Soviet aid sufficient to compensate for trade blockade from rest of province and repressive controls in area, highly improbable that actions reported could have been taken without tacit Soviet consent. Conjecture that Foreign Office [delegate] Liu still in Alma Ata (see mytel to Embassy 181, September 23³⁸) may also be negotiating these arrangements.

All advantages possibly anticipated by USSR in exchange for relaxation of their present grasp on three zones not yet clear but arrangements may be under way between General Chang's representatives and Russians to share benefits of province in event of breakdown of National Government authority. This would at least give them friendly neighbors here and Chang may be hoping to carve out domain for himself in northwest.

³⁸ Not printed.

Such a Sino-Soviet alliance might meet Muslim opposition from coalition of Turkistan and Tungan troops similar to that of the Tungan revolt in Chang's earlier days. Furthermore, Tungans and native Muslims are now stressing religious link and minimizing racial differences. AdGen [*As Gen.*] Ma Chang-hsiang's Fifth Cavalry Army from Tsinghai, undoubtedly best regular force in Sinkiang, complains of Han discrimination in equipment and supply and seems strongly anti-Russian, and the Kazaks, best native fighters, particularly Osman's men expelled from Ashan zone, are held together precisely because of opposition to Soviet Union, union of these elements might fairly evenly match Sino-Soviet forces unless Red Army troops should give major support. If Red Army Eighth Regiment, with former Sinkiang experience (see Tihwa's telegram to Embassy 163, repeated Department 83, August 31⁴⁰) is indeed at Alma Ata, it could, however, assist Chang's troops against this alliance and might undertake such a foray almost as though maneuvers.

Sent Nanking 190; repeated Department 93.

PAXTON

893.00 Sinkiang/11-448: Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, November 4, 1948.

[Received November 5—1:51 a. m.]

107. Sinkiang *Gazette* November 3 published announcement by General Chang that no election for provincial chairman would be held until agreement reached with Ili group.

Sent Nanking 209, repeated Department 107.

PAXTON

761.93/11-1248: Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, November 12, 1948—7 p. m.

[Received November 13—4:35 a. m.]

112. SecGen Liu now in Nanking discussing Sinkiang problems and Mayor Chu presumably with him. Foreign Affairs delegate Liu, recently back (mytel to Embassy 196, repeated Department 99, October 20⁴⁰) from Lanchow conference with General Chang, asserts that:

1. No understanding at all was reached on renegotiation of airline agreement or even where talks are to take place, though Russians want

⁴⁰ Not printed.

them at Moscow; as a result the termination will stand unless new accord is arrived at by next September (despite all denials Consulate still suspects some secret arrangements have in fact already been reached. Liu now claims he lacked authority to discuss terms with Russians but see mytel to Embassy 162 through Department 82, August 30);

2. Although he visited Moscow he has not yet had any Soviet answer to Chinese trade pact offer, reference 6th paragraph mytel to Embassy 181, September 23;⁴¹

3. An Ili reply to Chang's note of April 1 (mytel to Embassy 106, repeated Department 50, May 4) was sent October 2; other sources report it was given Liu during brief plane stop at Ining in sealed cover to be opened by Chang personally (but he has been told that note, text of which he has not yet seen, still blames Chinese entirely and thus indicates lack of any progress toward solution).

Some *rapprochement* with dissidents is, however, implied by resumption last week by Talat's firm of trans-Manass trade (mytel to Embassy 112, repeated Department 53, May 12⁴²) after over 3 months' cessation. That comprehensive settlement may be drawing near is suggested by Chang's announcement (refmytel to Embassy 209, repeated Department 107, November 4). My guess, backed by rumors from several sources, is that Soviet sponsors of 3 zones may have undertaken to bring them back into the fold in exchange for Chinese acceptance of terms for renewal of airline and trade pacts more favorable to USSR and general Sino-Soviet accommodation for entire area at Muslim expense may be in process.

To the possibility of some such deal the Turki, Kazak and Tungan leaders are alive and might oppose its development with force (reference mytel to Embassy 190, repeated Department 93, October 2). Disorders with lines so drawn could be set off by any local incident or the collapse of Zenn [*Central?*] Government authority.

Provisional military headquarters has discontinued supply of arms to Kazaks formerly given by garrison Commander Sung; Liu too complains of problem caused by their continuing raids into Outer Mongolia which used to please Sung; references mytel to Embassy 75 [65], repeated Department 39 [33], March 1⁴² and later reports from Ekvall. These nomads, many of them Osman's men driven out of Ashan zone (mytel to Embassy 44, repeated Department 23, February 5⁴²), strongly resent withdrawal of aid and moral support and are ripe for vengeance. Recent attacks by the tribesmen on Chinese troop contingents near Santvi some 60 miles northeast of Tihwa are admitted by Peace Preservation Corps though minimized.

⁴¹ Transmitted to the Department by the Consul at Tihwa in his unnumbered telegram, December 8, 5 p. m., not printed.

⁴² Not printed.

View Embassy cirtel November 10^{42a} urging share reduction code traffic, foregoing is being sent through Department. Although this information not yet urgent, message should be in Embassy's hands before next courier run which may be indefinitely delayed.

Sent Department, pouched Nanking and Shanghai.

PAXTON

893.00/11-2748 : Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, November 27, 1948—5 p. m.

[Received November 29—12:29 a. m.]

116. Rumors from several sources indicate working arrangements with Ili expected to be reached promptly on SecGen Liu's return next week if he obtains Central Government approval of terms negotiated with General Chang.

Plans appear to involve transfer from Sinkiang (perhaps to Szechuan) of most Central Government forces, leaving only some 15,000 Hankow [*Han*] Province troops formerly under Sheng,⁴³ in addition to Ma's Tungan Fifth Cavalry Army. Evacuation will probably begin from Nanchiang posts east of Kashgar by southern road via Sining. Consultation on these movements would explain recent brief visit to Tihwa of Vice Garrison Commander from Kashgar. One military informant expects Central Government soon to cut off all funds for Sinkiang troops.

"Election" of Burhan⁴⁴ as chairman in Mesud's stead said to have been arranged, latter to take over province Kmt. This demotion may be cushioned by some funds passing through his hands. Ili group representation to be considerably increased at expense of Hankows [*Hans*] and much more autonomy given natives. Some predict Chang Chih-chung will become Minister of National Defense, being replaced in northwest by General Chu Shao-liang from Szechuan, will [*well*] liked by Muslims, after agreement among Turki, Chinese and Soviet representatives in negotiations with Ili leaders here.

That certain Muslim leaders are planning coup, unknown even to Russians, which would eject all Hankow [*Han*] military and civil officials in single drastic sweep, possibly bloody, and simultaneously give Burhan chairmanship is reported from Turki official source.

Similarity of both alleged projects strengthens probability of some early developments along these lines. Due growing Muslim fear of USSR, any change likely to begin peaceably. However, since

^{42a} Not printed.

⁴³ Gen. Sheng Shih-tsai, virtual ruler of Sinkiang, 1933-1944.

⁴⁴ Known also as Pao Erh-han, Vice Chairman of the Sinkiang Provincial Government.

suspicion of Sino-Soviet machination also common (mytel to Department 112, November 12, to be pouched Nanking), open hostilities might break out if Muslims feel need to forestall duplicity.

Some realignment clearly in the wind. Belief that supplies are soon to come from rich Ili valley (continued on [apparent garble] op. 570), former granary Fortzrim basin, is indicated by recent somewhat steadier food prices (except for tea, in great demand and short supply in dissident zones) and failure of Government to arrange normal winter grain storage here.

These frank comments to us by second level contacts, both Muslim and Chinese, imply cordiality and goodwill. Consulate accordingly might be respected by Muslims in event of disturbances resulting in their ascendancy; Chinese official protection and personal assistance appear likely to continue as long as possible.

Perhaps General Chang has been skillful enough to have arranged for "neutrality" or at any rate noninvolvement of Sinkiang even though Central Government may be at war with Soviet Union. Consulate might thus be able to carry on limited but useful functions temporarily despite turmoil in area.

Similar rumors received by British ConGen.

Sent Department 116, Department pouch Nanking.

PAXTON

761.9327/12-948 : Telegram

*The Consul at Tihwa (Paxton) to the Ambassador in China (Stuart)*⁴⁵

TIHWA, December 3, 1948—11 a. m.
[Received December 4—12:38 p. m.]

228. Gist of info re Sino-Soviet airline negotiations obtained separately from FonOff's delegate Liu and his section chief in charge Soviet Affairs follows:

In Spring 1947 Moscow finally agreed to board meeting (supposed to be held annually but suspended since 1943, at first on account of war and later due to lack of Soviet consent) however Nanking did not approve until Summer 1948.

Chinese interest in session was merely to obtain long sought enlargement ratio of Chinese personnel which Russians claimed could only be decided by board. Increase from 3 to 19 Chinese out of total staff of 41 was accepted at this meeting though Soviet delegates queried need for change view Chinese denunciation, issued after arrangements were completed.

⁴⁵ Copy transmitted to the Department by the Ambassador in his covering despatch No. 495, December 9; received December 29.

No reference made by either contact to Chinese foreign exchange, point raised by Liu in Nanking (Embtel 117, Nov 25) but both said initiative for recent meeting was chiefly from Russians, presumably to apportion losses hitherto borne by them alone. Agreement was reached on amount due.

However, Soviet delegates tried to discuss renewal and Liu had to stress that he was not empowered to treat on terms as they required handling at Govt level (first part mytel 112, November 2 [12] through Dept) but in the end were most conciliatory.

Junior informant thought that negotiations for new pact would probably be held prior to expiration present one "to prevent wasteful break in operations". No apparent doubt in mind of either that it would be renewed, but only on terms more favorable to China.

PAXTON

893.00/12-1548 : Telegram

The Consul at Tihwa (Paxton) to the Secretary of State

TIHWA, December 15, 1948—6 p. m.
[Received December 16—7:47 a. m.]

128. Rumored from informed source that General Chang Chih-chung is to come to Tihwa himself by CATC⁴⁶ plane leaving Nanking tomorrow.

This could tie in with information given in Tihwa telegram to Department 116, November 27, to be pouched Nanking; however, no confirmation yet received.

General Ma Chang-hsiang, Commander Fifth Cavalry Army, is definitely reported to have left last week for consultations in Sining with his uncle Ma Pu-fang, chairman of Tsinghai.

Sent Nanking 240, repeated Department 128.

PAXTON

⁴⁶ Central Air Transport Corporation.

STATUS OF TIBET; VISIT OF THE TIBETAN TRADE MISSION TO THE UNITED STATES¹

693.0031 Tibet/1-548

The Chargé in India (Donovan) to the Secretary of State

No. 8

NEW DELHI, January 5, 1948.

[Received January 27.]

Subject: Tibetan Trade Mission: Second Call at Embassy

SIR: With reference to my secret despatch No. 459 dated December 30, 1947,² on the subject "Tibetan Trade Mission: Call at Embassy" and to my airgram No. A-6, January 3, 1948,³ I have the honor to report that in accordance with my suggestion members of the Mission today made a second call at the Embassy to discuss the results of their talks with the Government of India. Those present were Tsepon Shakabpa, leader; Depon Surkhang; Ratna, Nepalese interpreter; Mr. Weil;⁴ and myself.

Shakabpa, with Ratna interpreting, said the Government of India had told him that it would allot enough dollars to cover the Mission's travel expenses but would not, at the present time, allot dollars for the purchase of gold and silver in the United States. He said he had been told that if, when he reached the United States, he found gold and silver could be purchased, the Government of India would consider the possibility of making a further allotment. When asked whether this also applied to other possible purchases, he replied in the affirmative.

When asked about the Mission's travel plans Shakabpa said they expected to leave Delhi on January 7 and to spend approximately three weeks visiting various cities in India, including Agra and Cawnpore where they planned to inspect industrial establishments, after which they would leave Calcutta by air for Shanghai making stops (including Hongkong) on the way.

It was suggested to Tsepon Shakabpa that he inform the Consulate General in Calcutta of the exact date of their intended arrival in Shanghai in order that the Consulate General at Calcutta might inform the Consulate General at Shanghai and the Embassy at Nanking.

¹ For previous correspondence, see *Foreign Relations*, 1947, vol. VII, pp. 588 ff.

² *Ibid.*, p. 604.

³ Not printed.

⁴ Thomas Eliot Weil, Second Secretary of Embassy in India and Consul at New Delhi.

Tsepon Shakabpa was also informed that it would be possible for the Consulate General at Shanghai or the Embassy at Nanking to inform the Department of State of the date of the Mission's expected arrival in the United States and that the Department of State might request the Department of Commerce's field representative in San Francisco—assuming this is their port of arrival—to get in touch with the Mission.

When the conversation was turned to the subject of foreign missions in Delhi, Depon Surkhang said they had called at the Chinese Embassy and at the Office of the High Commissioner of the United Kingdom. He did not make any comment on their conversations at these two offices.

In the course of the interview Tsepon Shakabpa exhibited the travel documents issued to the members of the Mission by the Government at Lhasa. He did not indicate whether the Chinese Embassy in Delhi had endeavored to persuade them to accept Chinese passports, and it remains to be seen whether the Nanking Government will succeed in this respect.

As has been indicated in previous communications, this Embassy hopes that the Consulate General at Shanghai, the Embassy at Nanking, and the Department will find it possible to provide a friendly reception for the members of the Mission and to assist them in any way which may seem appropriate.

Respectfully yours,

HOWARD DONOVAN

693.0031 Tibet/1-1548 : Telegram

The Consul at Calcutta (Thompson) to the Secretary of State

CALCUTTA, January 15, 1948—4 p. m.

[Received January 15—12: 01 p. m.]

12. Ur 279, December 26.⁵ Tibet Trade Mission scheduled leave Calcutta CNAC⁶ January 19, stay Hong Kong 1 week, then proceed Shanghai, Nanking. Have suggested call ConGen Shanghai earliest re visas and desire visit Japan. Mission hopes depart for US about March 15, 2 weeks Japan en route. All members have identity certificates issued by Tibet Government including Kuladhak Maratna, Nepalese servant. Leader indicated unlikely take out Chinese passports.

Copy Delhi, please inform Shanghai, Nanking.

THOMPSON

⁵ Sent as telegram No. 812, December 26, 1947, 6 p. m., to the Chargé in India, *Foreign Relations*, 1947, vol. VII, p. 604.

⁶ China National Aviation Corporation.

693.0031 Tibet/2-2448

The Ambassador in China (Stuart) to the Secretary of State

No. 87

NANKING, February 24, 1948.

[Received March 9.]

The Ambassador has the honor to refer to Despatch No. 8, January 5, 1948, entitled "Tibetan Trade Mission: Second Call at Embassy", from the American Embassy in New Delhi, a copy of which was sent to this Embassy and which concerned itself with the visit of the Tibetan Trade Mission to India and its plans for visiting China and the United States. The Mission is now in China and has been in Nanking for a period of about 21 days. After visits to Shanghai and Hangehow which it is now making, the Mission will return to Nanking and prepare to fly to Japan if permitted to enter that country. From Japan the Mission plans to fly to the United States.

During its first stay in Nanking the Mission called upon the American Ambassador; a memorandum of the conversation which took place at that time is enclosed.⁷ Subsequent to a visit to the Chancery in connection with the issuance of visas to the Mission covering its visit to the United States, the Mission despatched a letter to the Embassy discussing its purpose, naming the members of the Mission and formally requesting the assistance of the Embassy in arranging permission for the Mission to travel to the United States. A copy of this letter is enclosed. There is also enclosed a copy of a release of the Chinese Government Information Office entitled "Tibet Seeks to Increase Trade with China Proper" contained in the *Gio* Daily Bulletin No. 214, February 7, 1948.

As will be apparent from a perusal of the first two enclosures, the Tibetans will attempt to lift Tibetan trade from the low level to which it has slumped in recent years and to establish direct trade relations with the countries with which Tibet has conducted its largest export-import trade. The Mission emphasized in conversations with the Ambassador and Embassy officers that it was especially anxious to reinstitute trade with Japan—whence it formerly obtained silks and other valuable textile products—and with the United States. At present the Mission seems to consider a type of barter trade with such countries entirely feasible, despite the displeasure with which the United States Government looks upon such trade and the lack of established channels or procedures through which a barter type of trade—especially with the United States—could be arranged. The Tibetans especially mentioned that they wished to use dollars obtained in return for exports to the United States to purchase Ameri-

⁷ Enclosures not printed.

can products, such as machinery, for importation into Tibet. The Mission did not seem prepared to face the problem which might arise should Tibet have an unfavorable balance of trade with the United States. It was mentioned in the course of one discussion that there was no inflation in Tibet, a fact which, should it prove true, would seem to make the financial aspect of Tibetan-United States trade somewhat less confused.

The displeasure of the Tibetans at any suggestion of Chinese or Indian sovereignty over the territory was quite evident in the discussions which they held with Embassy officers. The Tibetans seemed to resent both the physical, geographical and economic domination of Tibet by India and the attempted political domination of the area by China.

693.0031 Tibet/5-1148

The Ambassador in China (Stuart) to the Secretary of State

No. 223

NANKING, May 11, 1948.

[Received May 24.]

Subject: Tibetan Trade Mission

The Ambassador has the honor to refer to the Embassy's despatch No. 87 of February 24, 1948, and to enclose a copy of a memorandum of conversation ⁸ between three members of the Tibetan Trade Mission and two officers of the Embassy. The Mission has been visiting Shanghai and Hangchow in recent weeks and has now just returned to Nanking to continue preparations for the proposed trip to Japan and the United States. The conversation with the Mission leaves no doubt that it intends to make such a trip, contrary to certain newspaper reports that this part of the Mission's itinerary was to be cut out.

It is of interest to note that the type of travel documents which it should use is still a question which plagues the Mission. In accordance with the Department's instructions (Department's telegram No. 1573 dated December 26, 1947 ⁹), the Embassy did not refuse to issue visas on the Tibetan travel documents carried by the Mission but attempted to induce the Mission first to obtain Chinese exit visas and then to approach the Embassy for entry visas.

⁸ Not printed.

⁹ Sent to the Chargé in India as telegram No. 812, *Foreign Relations*, 1947, vol. VII, p. 604.

693.0031 Tibet/5-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 29, 1948—11 a. m.

[Received May 29—7:37 a. m.]

972. Reference Embassy's despatch 223, May 11 and previous on Tibetan Trade Mission, latter informed Ambassador in recent interview of its intention proceed US via Hong Kong and Tokyo. Mission aware only three may stay in Japan.

Presumably Mission traveling via Hong Kong in order "save face" by disposing Chinese passports there and proceeding on Tibetan travel documents to which US visas would have been affixed in Hong Kong.

Sent Department 972, repeated Shanghai 431, Hong Kong 49, SCAP¹⁰ unnumbered.

STUART

693.0031 Tibet/7-1248

Memorandum of Telephone Conversation, by the Chief of the Division of Chinese Affairs (Sprouse)

[WASHINGTON,] July 12, 1948.

Mr. Tsui¹¹ telephoned this afternoon to inform me that his Embassy had received a telegram from the Chinese Foreign Office in regard to the Tibetan Trade Mission which has just arrived in the United States. He said that Mr. George Yeh, Vice Minister of Foreign Affairs, had discussed this matter with the American Embassy at Nanking on July 12 and had emphasized four points of importance from the Chinese viewpoint:

1. The Tibetan authorities have no authority to deal with other nations as an independent country.
2. The Tibetan Trade Mission is in possession of Tibetan travel documents rather than Chinese passports, which they should bear. The Chairman of the Mission, Shakabpa, has no authority to negotiate directly with the United States Government.
3. The United States Consul at Hong Kong in issuing visas to the Mission did not notify the Chinese Special Commissioner at Hong Kong.
4. The United States Government has always recognized Chinese sovereignty over Tibet and the Chinese Government is amazed at the acceptance by the American Consul General at Hong Kong of Tibetan travel documents. The Chinese Government wishes to know whether the American Consul General at Hong Kong issued the visas on his own initiative or whether he was authorized to do so by the United

¹⁰ Supreme Commander, Allied Powers in Japan (MacArthur).

¹¹ Tsui Tswen-ling, Counselor of the Chinese Embassy.

States Government. If he was authorized by the United States Government to issue these visas, the Chinese Government would wish to be informed whether the United States Government has changed its "usual attitude toward Tibet".

Mr. Tsui went on to say that it was interesting to note that the British Consulate General at San Francisco had made arrangements to assist the Tibetan Trade Mission at that city. He further stated that the Chinese would do everything possible to facilitate the visit of the Mission but that the Chinese Government wished to emphasize its desire that the United States Government deal with the Mission as a part of China and not as representatives of an independent state. He explained that this did not mean that the Chinese Government did not wish the United States Government to deal directly with them but that it was important that they not be dealt with as representatives of an independent nation.

Mr. Tsui explained that the American Embassy at Nanking would inform the Department of the foregoing by telegraph but that he wished to convey to me the substance of the Chinese view on this subject.

I informed Mr. Tsui that we had learned of the arrival of the Tibetan Trade Mission at San Francisco and that we had been informed by the Department reception center there that the Mission expected to leave shortly by train en route to Washington via Chicago. Mr. Tsui said that he had been similarly informed and that the Chinese Embassy had instructed its Consul at Chicago to meet the Tibetans and to do everything he could to be of assistance. I told Mr. Tsui that the Department of Commerce was telegraphing its office at Chicago to assist the Mission during its visit to that city.

693.0031 Tibet/7-1448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 14, 1948—10 a. m.

[Received 11:43 a. m.]

1284. Vice Minister Foreign Affairs has informally discussed with Embassy officer Chinese Govt attitude on Tibetan Trade Mission which arrived San Francisco July 9. Foreign Office obviously much disturbed and irritated over this question.

Vice Minister made following points:

1. Delegation carries Tibetan documents which Chinese Govt does not recognize as valid. Tibetan autonomy does not extend to issuance of travel documents outside Tibet. American Consul General Hong Kong issued visas on the documents. Foreign Office would appreciate

knowing whether these visas were issued upon instructions of Dept or whether in ignorance that they are not recognized by Chinese Govt.

2. Chinese Embassy Washington has been instructed to inform Dept that Chinese Govt will refuse to recognize any arrangement for agreements made by Tibetan in the US unless handled thru Chinese Embassy.

3. On assumption that visas were issued with approval of Dept, Foreign Office would like statement from Dept as to whether this action constitutes a change in American policy concerning recognition of Chinese sovereignty over Tibet. Foreign Office fears British may have influenced USA to alter its views.

Vice Minister is obviously disturbed because Tibetans having been dissuaded in Nanking from proceeding to USA then went to Hong Kong where they secured American visas because Chinese Foreign Affairs Commissioner in Hong Kong was not consulted and because according to press reports Mission was met at San Francisco by British Consul and then proceeded to give press interview that has attracted considerable attention in China.

Vice Minister pointed out that question of sovereignty over Tibet is an exceedingly touchy one in China today, and that in view of publicity there is bound to be unpleasant interpellation of Foreign Office in Legislative Yuan next week. Vice Minister added Foreign Office had adopted this informal method of approach in the hope that the Dept explanation would be sufficiently satisfactory avoid necessity of a formal protest. He was told that the question will be referred to Washington, but that as far as this Embassy was aware there most certainly would appear to be no reason whatsoever to believe issuance of visas indicated any change in American policy on question sovereignty over Tibet.

Sent Dept 1284, repeated Hong Kong 57.

STUART

693.0031 Tibet/7-1548

*The Chinese Embassy to the Department of State*¹²

AIDE-MÉMOIRE

1. Tibet is a part of the Territory of the Republic of China and, under the Constitution of the Republic, has no authority to conduct diplomatic negotiations with foreign governments; and its relations with the outside world are subject to the direction and approval of the Central Government of China.

2. The travel papers which the members of the Tibetan Trade Mission, headed by Mr. Shakabpa, hold, cannot replace the necessary pass-

¹² Handed to the Secretary of State by the Chinese Ambassador on July 15; for memorandum of conversation on that date, see p. 361.

ports issued by the Chinese Government for travel abroad. It is a matter of surprise that the United States' Consul-General in Hongkong visaed these unusual travel papers without first notifying or consulting the Chinese Commissioner of Foreign Affairs representing the Waichiaopu¹³ in Hongkong. Presumably he acted without first reporting to his Government for instructions.

3. Mr. Shakabpa and other members of the said Mission have no authority to enter into direct relations with the United States Government, but the Chinese Embassy will be glad to facilitate the purpose of their visit which is understood to be in the interest of trade.

4. The Government of the United States has always recognized the sovereignty of the Chinese Republic over its territory. The Chinese Government therefore believes that the action of the Consul-General in visaing the travel papers of the Tibetan Trade Mission in place of the regular Chinese Government's passports was an inadvertence and was not intended to signify any departure on the part of the United States Government from its traditional policy respecting the territorial integrity of the Republic of China.

WASHINGTON, July 15, 1948.

693.0031 Tibet/7-1648

Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Sprouse)

[WASHINGTON,] July 16, 1948.

Participants: Mr. Forbes, Department of Commerce
 Mr. Dempsey, Department of Commerce
 Mr. Butterworth, Director for Far Eastern Affairs
 Mr. Sprouse, CA

Pursuant to Mr. Sprouse's request Mr. Forbes and Mr. Dempsey called at Mr. Butterworth's office today in connection with the visit of the Tibetan Trade Mission to the United States.

Mr. Butterworth described to them the views of the Chinese Government as set forth in an *aide-mémoire* which had been left by Ambassador Koo with the Secretary of State. Mr. Butterworth pointed out that the Chinese were apprehensive regarding (1) the issuance by the American Consul General at Hong Kong of visas on Tibetan travel documents; (2) the possibility that the United States might question Chinese sovereignty over Tibet; and (3) the British and Indian attitude toward Tibet and their connection with the Mission. Mr. Butterworth pointed out that the Consul General at Hong Kong

¹³ Chinese Foreign Office.

had not issued visas on Tibetan travel documents but had placed the visas on U. S. Government standard forms. This information, he said, had been conveyed to Ambassador Koo. The latter had also been informed that the United States had not changed its attitude toward the question of Chinese sovereignty over Tibet. Mr. Butterworth explained that the Chinese felt this matter sufficiently important to take up with the Secretary of State and that he wished to acquaint the Department of Commerce with the foregoing in order that they might understand the Chinese Government's attitude. Mr. Butterworth pointed out that the Department of Commerce should keep these factors in mind in dealing with the Mission.

The Department of Commerce representatives expressed their appreciation of the foregoing information and said that that Department regarded the Mission as businessmen and that their interest in the Mission was purely commercial.

693.0031 Tibet/7-1948

*Memorandum of Telephone Conversation, by the Chief of the Division
of Chinese Affairs (Sproule)*

[WASHINGTON,] July 19, 1948.

Mr. Tsui telephoned this afternoon to inform me that the Tibetan Trade Mission had arrived and was staying at the Washington Hotel, where reservations had been made by the American Express Company. He said that the Chinese Embassy had two representatives at the station to meet the Mission and that Mr. Ahern of the Commerce Department had also met the Mission.

Mr. Tsui said that Ambassador Koo had asked him to request that the Commerce Department be informed of the attitude of the Chinese Government toward the Mission as set forth in the *aide-mémoire* which the Ambassador had left with the Secretary of State. I informed Mr. Tsui that Mr. Butterworth and I had discussed this matter with representatives of the Department of Commerce and had described to them the Chinese views on this subject.

Mr. Tsui said that he had also been instructed by the Ambassador to ask whether the Department of Commerce would be good enough to have Chinese Embassy representatives present in the event that any "arrangements" were made with the Mission. I told Mr. Tsui that the Department of Commerce had informed us that it would consider the Tibetan Trade Mission as business men on a purely commercial basis and that it hardly seemed necessary in some cases for the Chinese to have a representative present on every occasion that the Commerce Department talked with the members of the Mission. Mr. Tsui said

that the Chinese did not expect to have representatives present on tours of factories and similar occasions but that the Chinese did wish to be present in the event of the conclusion of any kind of "arrangements". I told Mr. Tsui that I would communicate this to the Department of Commerce.

693.0031 Tibet/7-1548: Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, July 22, 1948—6 p. m.

1058. ReEmbtel 1284, July 14, Chinese Ambassador called on Secretary July 15¹⁴ and as he was leaving left *aide-mémoire* on Tibetan Trade Mission containing following four points:

[Here follows substance of four points in Chinese *aide-mémoire* printed on page 761.]

Chi Ambassador was informed that ConGen Hong Kong had not in fact visaed Tibetan travel documents but had placed visas on separate form. Koo also informed that US Govt attitude had not undergone change as regards general question of Chinese sovereignty over Tibet. Emb instructed inform Vice Minister FonOff orally along these lines. Emb might also indicate to Vice Minister that procedure of placing visas on visa application form 1 frequently employed in cases where valid passports not presented by visa applicants or where passports presented have been issued by country not recognized by US.

MARSHALL

693.0031 Tibet/7-2248

Memorandum of Conversation, by the Assistant Chief of the Division of Chinese Affairs (Freeman)

[WASHINGTON,] July 22, 1948.

Mr. Tsui called at my request today for the purpose of discussing informally a request of the Tibetan Trade Mission for an appointment with the President which had been submitted through the Assistant Secretary of Commerce and referred to this Department.

I explained to Mr. Tsui that the Tibetans had brought with them a photograph of the Dalai Lama which had been inscribed to President Truman and that it was their desire to present the photograph to the President personally. I stated that the Department did not, of course, wish to facilitate arrangements for an appointment with the President without the prior knowledge and acquiescence of the

¹⁴ For memorandum of conversation, see p. 361.

Chinese Embassy. On the other hand, I explained, we did not wish to refuse the request without thorough consideration, as the Tibetans had been extremely courteous and helpful to American Army officers traveling in Tibet during the war and as such an appointment would undoubtedly contribute to the success of the Mission.

Mr. Tsui replied that the Chinese Embassy would perceive no objection whatsoever to the Tibetans having an appointment with the President—that, as a matter of fact, the Embassy would like to facilitate such an appointment—but that the question was simply one of procedure. This question could be resolved, Mr. Tsui remarked, if the request for an appointment were made by the Embassy in behalf of the Mission rather than by the Mission directly. He stated in this connection that Ambassador Koo was entertaining the members of the Mission at dinner tonight and that a favorable opportunity might be presented to broach the subject to the Mission in a discreet fashion. I suggested that it might be just as well for the Embassy to place the matter on the basis of “assisting” the Tibetans in arranging for an appointment with the President, rather than giving the impression that it was mandatory that any such request be made through Embassy channels, to which Mr. Tsui agreed.

With regard to the question of whether Ambassador Koo should accompany the Mission in the event that an appointment was arranged with the President, I stated that I did not perceive the necessity therefor as long as the request for an appointment had come from the Embassy but that, in any event, the matter would appear to be one for decision between the Ambassador and the members of the Mission.

Mr. Tsui assured me that he would discuss the matter with the Ambassador immediately on his return and would inform me the following day of the results of their discussions with the Tibetans.

693.0031 Tibet/7-2348

Memorandum of Conversation, by the Assistant Chief of the Division of Chinese Affairs (Freeman)

[WASHINGTON,] July 23, 1948.

Mr. Tsui called by appointment this morning to discuss further the request of the Tibetan Trade Mission for an appointment with the President. He stated that Ambassador Koo was very pleased that the Department had brought this matter to the Embassy's attention. Mr. Tsui also expressed the gratification of the Embassy that the Department in considering the Tibetans' request had in mind the assurances of the Secretary and Mr. Butterworth to Ambassador Koo that

the traditional attitude of the U. S. Government of respecting Chinese sovereignty over Tibet remained unchanged.

Mr. Tsui continued that, in view of the particular interest which the Chinese Government had exhibited in the Tibetan Trade Mission, the Ambassador had considered it advisable to refer to Nanking the question of their seeing the President. He added, however, that the Ambassador had recommended strongly to the Chinese Government that the request be approved and stated that a reply was expected within a day or two. He requested that the Department withhold action on the Tibetans' request until Nanking's views on the matter were received.

In reply to my question regarding the dinner given last night by Ambassador Koo for the members of the Mission, Mr. Tsui informed me that the atmosphere was most cordial. The question of an appointment with the President was discussed, he stated, and the Tibetans informed the Ambassador that, in addition to the autographed picture of the Dalai Lama, they also carried with them two letters for presentation to the President—one from the Dalai Lama and one from the Regent. The Tibetans also informed the Ambassador that they would give consideration to the latter's suggestion that the Chinese Embassy might facilitate favorable action on their request to see the President and that they would give him their answer the following day.

693.0031 Tibet/7-2648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, July 26, 1948—3 p. m.
[Received July 26.]

1362. ReDeptel 1058, July 22. Foreign Minister has expressed appreciation of his Government at Department's assurances that presence of Tibetan Trade Mission in US does not indicate any change in American attitude on question of Chinese sovereignty over Tibet. Chinese Embassy Washington has informed Foreign Office that Tibetan Trade Mission has requested through Department of Commerce that it be received by President. Chinese Embassy originally raised objection on grounds that Mission was a purely technical one and call would be purely courtesy. Leader of Mission, however, has now told Chinese Ambassador that he wishes to discuss general economic and political matters with President. Foreign Minister, therefore, requests that President refuse to receive Mission on following grounds.

1. Mission was not authorized by Chinese Government.

2. Mission is traveling on documents which Chinese Government does not recognize.

3. Obvious intention of Mission to act as independently as possible and by any means available to acquire recognition of its separation from China will create serious political embarrassment for National Government and will cause grave difficulties between Foreign Office and Legislative Yuan.

Foreign Minister again requests that no American agency have dealings with Mission except when approved by Chinese Embassy since Mission assured Foreign Office that its objectives were of a purely technical trade nature and these objectives can best be obtained through arrangements with private commercial firms.

STUART

693.0031 Tibet/7-2648 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, July 28, 1948—7 p. m.

1086. ReEmbtel 1362, July 26. In discussion today Chi Minister re Tibetan Trade Mission, Dept emphasized following points:

1. USGovt no intention of acting in a manner to call into question China's *de jure* sovereignty over Tibet.

2. Dept now faced with practical problem caused by presence in US of Tibetan Mission which did not come at behest of US but which must be received with courtesy due high-ranking representatives of far distant countries.

3. ChiGovt should appreciate that the fact that it exerts no *de facto* authority over Tibet is root cause of situation.

4. Dept does not desire offend sensibilities of either China or Tibet, but is of opinion that Tibetans could rightly be affronted if not received by President. They come bearing photograph from Dalai Lama and letters from Lama and Regent. (For Emb's information in 1943 President Roosevelt sent letter¹⁵ and valuable presents to Dalai Lama via US Army officers Dolan and Tolstoy. These and other American travelers to Tibet have been appropriately received.)

5. Press showing considerable interest in Tibetans' visit, and if it should become known that their intended call on President was frustrated by ChiGovt, believe that press would make most of situation to China's disadvantage. Such story might also be raised in light of self-determination which is popular concept among American people.

6. President has expressed personal interest in greeting Tibetans.

Chi Minister reiterated FonMin's objections to Presidential call and pointed out that call might become precedent for manner in which Mission would be received in England. He also stated Tibetans had been dissuaded from going abroad while in China and intimated

¹⁵ Dated July 3, 1942, but not delivered until January 1943; *Foreign Relations*, 1942, China, p. 625.

"British authorities" in Hong Kong had changed their minds. He appeared to appreciate, however, that tempest in tea pot which might be stirred up by failure Tibetans to see President might be damaging US good will toward China.

When asked whether Chinese ingenuity could suggest solution, Chi Minister averred that failing Chinese acquiescence US might act unilaterally. For its part Dept intimated that request by ChiEmb for reception of Tibetans would be preferable procedure. For Emb's info, Dept does not believe Tibetans would be prepared to be accompanied by ChiAmb.

Chi Minister assured Dept that ChiEmb would again press Nanking for favorable reply and suggested Dept take parallel action.

Emb instructed bring foregoing six points to attention FonOff. In doing so Emb should emphasize USGovt does not wish to add a mite to Chinese current preoccupations, but that we are confronted with practical problem which discourtesy will not solve.

MARSHALL

693.0031 Tibet/7-3148

Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Sprouse)

[WASHINGTON,] July 31, 1948.

Minister Tan called this morning by appointment to inform me of the latest developments regarding the possibility of the Tibetan Trade Mission's calling on the President.

He first reviewed his conversation on this subject with Mr. Butterworth and Mr. Freeman on July 28 and then said that Ambassador Koo, after receiving from Minister Tan an account of this conversation, had reported the matter to the Chinese Foreign Office. He continued that Ambassador Koo had recommended a formula for the settlement of this problem, which had subsequently received the Foreign Office's approval. This formula provided that the Chinese Ambassador would address a letter to Mr. Woodward, Chief of Protocol, asking that an appointment be made for Ambassador Koo to present the members of the Tibetan Trade Mission to the President. It would be expected that Ambassador Koo would himself, if approval were given to the request, inform the Mission of the arrangements and that he would accompany them to call upon the President. Minister Tan pointed out that it was understood that the Mission had in its possession two letters for delivery to the President, one signed by the Dalai Lama and one by the Tibetan Regent. He explained that the Chinese Embassy did not know the contents of the letters but hoped

that they merely contained the usual felicitous phrases and made no reference to political matters. He stressed that the Chinese Government could not "countenance" the introduction of political matters in such letters. Minister Tan asked that any written replies that might be made by the President to these letters be sent to the Chinese Ambassador, or to the American Embassy in Nanking, for transmission to the Tibetan authorities through the Chinese Government. Minister Tan further asked that, in the event that the Tibetan Trade Mission declined to see the President under Chinese auspices, permission not be granted them for an appointment with the President. After handing me the letter addressed by Ambassador Koo to Mr. Woodward ¹⁶ on this subject, he concluded his remarks with the statement that the Chinese Government was taking action along the above-described lines out of deference to the wishes of the United States Government.

I informed Minister Tan that, pursuant to his request, I would bring the foregoing to Mr. Butterworth's attention.

693.0031 Tibet/7-3148

The Chinese Minister (Tan) to the Chief of Protocol (Woodward)

WASHINGTON, July 31, 1948.

DEAR MR. WOODWARD: I am directed by the Ambassador to write to you with a view to requesting the President of the United States for an appointment in order to present the members of the Tibetan Trade Mission, which is now in Washington.

The Ambassador will be obliged if you would be good enough to convey the request to the President and ascertain when it will be convenient for him to receive the Ambassador with the mission.

Kindly cause the Embassy to be informed at your earliest convenience of the time of the appointment after it is fixed.

I am,

Very sincerely yours,

SHAO-HWA TAN

¹⁶ *Infra*.

693.0031 Tibet/8-248

*Memorandum of Conversation, by the Assistant Chief of the Division
of Chinese Affairs (Freeman)*

[WASHINGTON,] August 2, 1948.

Participants: Mr. Tsepon Shakabpa, Leader of the Tibetan Trade
Mission
Mr. Unda Surkang, Member of the Mission
Interpreter of the Mission
Mr. Freeman, CA

I called this evening on Mr. Shakabpa, Leader of the Tibetan Trade Mission, for the purpose of discussing the Mission's request that they be permitted to make a courtesy call on President Truman. I opened the conversation by informing Mr. Shakabpa, through the interpreter, that the Department had received a request from the Chinese Embassy for an appointment for the Mission members with President Truman at which time the Mission would be accompanied and introduced to the President by Ambassador Koo. I stated that it was my understanding that they were planning to leave shortly for New York and I was therefore coming to enquire their approximate departure date so that an appointment might be arranged.

Mr. Shakabpa replied that he was very appreciative that the Department was endeavoring to arrange for the Mission to meet the President, but he stated that it would not be necessary for them to be accompanied by the Chinese Ambassador. He explained that the Mission was a commercial one, that there were no political motives to their trip and that the purpose of their intended call on the President was simply to greet him in the name of Tibet and to present him with certain letters and photographs which they had brought from the Dalai Lama and from the Regent. The letters, he stated, were solely on the subject of Tibetan-American trade and would in no way embarrass this Government by their receipt. He added that it was therefore immaterial whether their visit with the President was a formal or an informal call, but he intimated that they would not consent to the attendance of Ambassador Koo.

I informed Mr. Shakabpa that the Department was conscious of the feelings of the Tibetans with regard to this matter, but pointed out some of the reasons why it would probably not be feasible to arrange the call under any other circumstances. I stated that, despite the large degree of autonomy that existed in Tibet, the U. S. Government had traditionally recognized and continued to recognize the *de jure* sovereignty of China, with whom we maintained the most cordial relations. The Chinese Ambassador, I continued, was the

recognized diplomatic representative of their country and it was therefore in accordance with customary procedure for him to accompany the Mission in its formal call on the Chief of State.

Mr. Shakabpa referred in his reply to the treatment which had been accorded Dolon and Tolstoy on their trip to Tibet in 1943¹⁷ and stated that the Chinese authorities were not consulted when they called on the Dalai Lama and presented letters from President Roosevelt. He said that when the Mission visited India and Hong Kong they were received by the highest officials in those places without requiring the presence of Chinese diplomatic or consular officials, and he saw no reason why they should establish an "unfortunate precedent" in the United States. He again requested that the Department arrange an "informal visit" with the President and thus avoid the necessity of bringing in the Chinese Embassy.

I explained that the question of a formal or informal call was not the issue; that all appointments with the President were treated with almost equal formality and given equal prominence in the press; and that, in view of the interest shown by the Chinese Embassy in endeavoring to arrange the appointment, the exclusion of the Chinese Ambassador would be a needless cause of embarrassment to the Chinese Government. I stated that the Department would regret exceedingly to have the Mission depart from the United States without having seen the President, but I again pointed out that to arrange an appointment in any other way would be very difficult if not impossible.

Following a long and rather heated discussion in Tibetan between Mr. Shakabpa and Mr. Surkang, the former informed me doubtfully that he would have to discuss the question with the two absent members of the Mission, but he implied that he was not very optimistic of a favorable response.

At this point I suggested that after the Mission had seen the President in the company of the Chinese Ambassador, it might be possible to arrange for a private appointment with Secretary Marshall at which time the Chinese Ambassador need not necessarily attend. In response to Mr. Shakabpa's pertinent question I stated that such a private appointment with the Secretary would probably not be feasible unless they had already called on the President in the company of Ambassador Koo, as their first call on a high American official would attract considerably more attention than their second and it would be considered appropriate by the Chinese to have an Embassy official in attendance.

¹⁷ For correspondence on this subject, see *Foreign Relations*, 1943, China, pp. 620 ff.

The Tibetans gave evidence of considerable relief over this last suggestion and intimated that under these conditions they might be willing to call on the President with Ambassador Koo. Mr. Shakabpa stated, however, that it would still be necessary for him to consult with the other members of the Mission and that he would give me their final reply in the morning. He added that the Mission had made an appointment with Mr. Woodward for the following afternoon to discuss the question of seeing the President and that, in view of our discussion, he would appreciate it if I would cancel that appointment.

693.0031 Tibet/8-248 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 2, 1948—6 p. m.

[Received August 3—11 : 35 a. m.]

1413. ReDeptel 1086, July 28, 7 p. m. Vice-Minister Foreign Affairs states that Chinese Embassy Washington has been instructed to request interview with the President for the Tibetan Trade Mission. Ambassador further instructed to accompany Mission on its call.

STUART

693.0031 Tibet/8-248 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, August 4, 1948—7 p. m.

1127. Chi Min has presented written request from Chi Amb that Dept arrange appointment for Tibetan Mission with Pres, Chi Amb to accompany Mission on call (reurtel 1413, Aug 2). Chi Min pointed out that Chi Emb had no knowledge contents of letters to Pres from Dalai Lama and Regent but hoped no reference made political matters as this "could not be countenanced" by ChiGovt. Min requested that any written replies to Tibetan authorities from Pres be transmitted thru Chi Emb or AmEmbassy Nanking. Min further requested that appointment with Pres not be granted in event Tibetans declined to see Pres under Chinese auspices.

You are instructed inform FonOff these arrangements offer no solution to problem outlined Deptel 1086, July 28. As Dept indicated would be case, Tibetans have informally stated they would prefer return Tibet without seeing Pres rather than be accompanied on call by Chi Amb. Moreover, suggested formula would appear somewhat disingenuous since Chi Amb already knew from discussion this subject with Mission that Tibetans' acquiescence to Chi Ambs participation in

call probably impossible to obtain. It would further appear Chinese thus expected place blame for failure arrange Presidential appointment for Mission on Tibetans themselves and thus avoid press criticism that projected visit frustrated by ChiGovt.

Dept does not feel itself bound to have ChiGovts concurrence to call on Pres by Tibetan Mission without attendance Chi Amb but would of course prefer reach acceptable solution. Accordingly pls endeavor to obtain FonOff concurrence indicating in this connection that in press announcement of visit emphasis would be made on fact that appointment with Pres was arranged basis of request received from Chi Emb. For your info Dept has reason believe Chi Emb regards with disfavor stand taken by Nanking and considers that it in China's own interest to cultivate good relations with Tibet and to this end to be helpful rather than obstructionist to the Tibetan Mission.

Also for Embs info it is expected the Secy will receive Mission members for informal visit on Aug 6. Reactions of Chi Emb this matter have not been solicited.

MARSHALL

693.0031 Tibet/S-648

*The Dalai Lama of Tibet to President Truman*¹⁸

[Translation]

I am glad that you are enjoying the best of health and doing good service to uplift the happiness and prosperity of the whole world. Here, I am well and doing my best for the religion of Lord Buddha and welfare of all beings. Tsepon Shakabpa, the Financial Secretary of the Tibetan Government, and his assistant, Khenchung Changkhimpa, are being sent to America to observe trade conditions and to purchase gold and silver for importation to Tibet. Kindly extend your most appreciated assistance to them in purchasing and exporting gold and silver from America. With greeting scarf, a portrait of myself bearing my seal and a silk embroidered Thangka.

FROM DALAI LAMA

Dated 25th of 8th month Fire-Pig Tibetan Year [1947].

¹⁸ With reference to this letter and the two *infra*, Matthew J. Connelly, Secretary to President Truman, wrote the following memorandum dated August 5 to the Chief of Protocol (Woodward):

"Here are the letters in translation to the President from the Dalai Lama, the Regent and the Cabinet Ministers of Tibet. By direction of the President, they are being sent to you herewith for appropriate action by the Department.

"The greeting scarves, the scroll, and the two portraits are being retained here. Will you please see to it that the original letters are ultimately returned to the President."

693.0031 Tibet/8-648

*The Tibetan Regent to President Truman*¹⁹

[Translation]

Tsepon Shakabpa, the Financial Secretary of the Tibetan Govt., and his assistant, Khenchung Changkhimpa, are being sent to observe and enquire about trade conditions of wool, yak's tail, variety of fur and other trade goods for export from Tibet and foreign goods for import from China, America and England and also purchasing gold and silver for the benefit of Tibet. In view of the most cordial relation between America and Tibet, I hope that you will kindly assist them in connection with their trade matters.

With greeting scarf and a portrait of myself bearing my seal.

From, TAKDAK PANDITA HOTHOKTHU,

The Tutor of the Dalai Lama and Regent of Tibet

Dated the 25th of the 8th month of Tibetan Fire-Pig Year [1947].

693.0031 Tibet/8-648

*The Tibetan Cabinet Ministers to President Truman*²⁰

[Translation]

SIR: For the welfare of Tibet, the Financial Secretary of the Government of Tibet, Tsepon Shakabpa, with his assistant Khenchung Changkhimpa have been sent to observe the trade conditions regarding imports from India, America, China, and England, and export of wool, Yak's tail, and fur skins from Tibet and also to purchase gold and silver.

Kindly recognise them as our trade mission and necessary help in their discussion on trade matters and in purchasing gold and silver, considering the good relation between America and Tibet.

With our customary greeting scarf, dated 26th of the 8th month of Tibetan Fire-Pig year [1947].

¹⁹ A similar message sent to the Secretary of State, not printed.

²⁰ A similar message sent to the Secretary of State, not printed.

693.0031 Tibet/8-648

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] August 6, 1948.

Participants: Mr. Shakabpa, Leader of the Tibetan Trade Mission
Mr. Chhankyim } Members of the Tibetan Trade
Mr. Pangdatshang } Mission
Mr. Surkang }
Mr. Ratna, Interpreter of the Tibetan Trade Mission
The Secretary
Mr. W. Walton Butterworth, Director for Far Eastern Affairs
Mr. Fulton Freeman, Division of Chinese Affairs

Mr. Butterworth brought the members of the Tibetan Trade Mission to call on me this morning at which time they presented me with photographs of the Dalai Lama and the Regent of Tibet, three letters and a greeting scarf. I thanked them cordially for these gifts and expressed pleasure that they had come such a distance to visit the United States. I recalled that my previous acquaintance with representatives of Tibet had been in China in the summer of 1946 when a Tibetan mission visited Nanking.

Mr. Shakabpa, Leader of the Mission, explained through the interpreter that the primary purpose of the Mission's visit was to improve trade relations between Tibet and the United States. He stated that Tibet has in the past exported a considerable amount of wool and furs to the United States, but that up until recently Tibet has felt no need for U. S. dollars as there have been no imports from the United States. At the present time, he continued, Tibet is desirous of importing from the United States gold and silver bullion, machinery and other merchandise. He stated that the Mission was proceeding to New York in a few days to investigate the possibilities of importing these items and requested that I put him in touch with the appropriate government officials in that city.

Mr. Butterworth replied that the Department of Commerce was taking steps to inform its representatives in New York of the Tibetans' impending visit. He added that the Department of State would be pleased to communicate with Mr. Allan Sproul, President of the Federal Reserve Bank of New York, informing him of the Mission's plans and suggesting that he extend them any appropriate assistance. I enquired at this point whether Tibet was in possession of U. S. dollar exchange to be used in the purchase of the commodities desired. Mr. Shakabpa replied somewhat indefinitely (perhaps due to the interpretation) stating that the Government of India, through

which all exports to the United States passed, had never permitted Tibet to receive U. S. dollar exchange but had effected conversion into rupee exchange. In reply to my further inquiry, however, Mr. Shakabpa assured me that he would prepare a letter for the Department setting forth Tibet's foreign exchange situation and explaining exactly what assistance was desired. I stated that the Department would be pleased to receive such a letter.

In response to my pertinent question, Mr. Shakabpa informed me that the Mission had traveled for 20 days on horseback on leaving Lhasa; that they had then proceeded by automobile and train to Calcutta and Delhi; that they had flown thence to China where they spent approximately five months; and that they had proceeded from Shanghai to Hong Kong where they enplaned for Honolulu and San Francisco.

As the Mission was taking leave, I presented Mr. Shakabpa with a small gift for himself and a photograph which I had inscribed to the Dalai Lama with a request that it be transmitted on their return to Tibet.

693.0031 Tibet/8-748

*Memorandum of Telephone Conversation, by the Chief of the
Division of Chinese Affairs (Sprouse)*

[WASHINGTON,] August 7, 1948.

During the course of a telephone conversation with Mr. Tsui this morning on another subject, I was informed by him that he had learned that the Tibetan Trade Mission had handed to Mr. Woodward the letters addressed to the President by the Dalai Lama and the Tibetan Regent, and that the Mission was planning to leave for New York tomorrow without making any further effort to see the President. Mr. Tsui asked that he be furnished informally, if possible, copies of the letters which the Mission was leaving for the President. I made no reply to his request other than to thank him for the information.

693.0031 Tibet/8-748

The Tibetan Trade Commission (Shakabpa) to the Secretary of State

WASHINGTON, 7th August 1948.

YOUR EXCELLENCY: In our capacity of the members of the first official trade mission from the Government of Tibet, we extend Your Excellency our greetings and salutations with high respects and honour.

We have the honour to state that we have been deputed by the Government of Tibet to visit India, China, the United States and the United Kingdom to find out whether we gain or lose in our trade with other countries and also to improve our commercial relations with other countries, especially with the United States.

Before the war, Tibet could import from and export to any countries through India any goods without any restrictions or control. The exporters of goods could use their foreign exchanges as necessary or as best suit them. And importers could freely buy foreign exchanges for their imports.

But since the last war, the Government of India put a number of restrictions on the import and export of goods to and from India and at the same time tightened their control on foreign exchanges. Curiously enough, the Government of India applied these restrictions and controls on the exports and imports of goods from and to Tibet—in spite of the fact that Tibetans use the port of Calcutta only as a centre through which goods are sent and brought to and from other countries of destination and origin, and that these goods are only in transit to and from such countries.

Tibet wants sincerely to improve her commercial relations with the United States not only by exporting wool, yaktails, furs, musk, etc to U. S. A. but also by importing her necessities such as small farm machineries and various manufactured consumer goods from U. S. A. But at present the Government of India is preventing this export-import trade in as much as they are compelling the Tibetans to surrender to the Reserve Bank of India all U. S. A. dollars earned from the export of Tibetan products. As a consequence, Tibet has been denied the right of importing her requirements from the United States.

While we were in New Delhi, we raised this matter with the Government of India and demanded that in as much as we are using the Port of Calcutta as transport centre only and in as much as the Tibetan products from Tibet are only in transit to other countries through India, they must not withhold the U. S. dollars which the Tibetans earned from export of Tibetan products and that Tibet should be free to import American goods with these dollars.

Unfortunately, this matter has not been satisfactorily concluded yet. And we hope Your Excellency will help us, by putting diplomatic pressure upon the Government of India, in our effort to achieve from them our right of international trade and commerce so that the legitimate mutual trade between Tibet and the United States—both export and import—may soon be flourished and we may freely export our products to U. S. A. and import our requirements from U. S. A. in ever increasing volumes.

Further, as mentioned in the letters from the Regent and the Cabinet of Tibet which we had the privilege of presenting to Your Excellency personally yesterday, we have been ordered by the Government of Tibet to buy from the United States gold bullion for stabilization of Tibetan currency. We shall deem it highly favoured, if Your Excellency will be kind enough to issue us a permit to enable us to buy 50,000 (fifty-thousand) Ounces of gold and ship them to the Government of Tibet for that purpose.

As we are going to New York, N. Y. on Sunday the 8th August 1948, we hope Your Excellency will be kind enough to favour us a reply to this letter there in New York at Your Excellency's earliest convenience. We shall be staying at Commodore Hotel in New York, N. Y.

With best respects [etc.]

For and on behalf of Tibet Trade Mission,
(TSEPON SHAKABPA, *Leader*)

693.0031 Tibet/8-848 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 8, 1948—1 p. m.
[Received August 8—10:50 a. m.]

1458. ReDeptel 1127, August 4, 7 p. m. Foreign Minister has advised Embassy that he cannot agree with American position on question of Tibetan call on President. He adds that his Government is deeply appreciative of Secretary's assurances that no change is contemplated in American stand on question of Chinese sovereignty over Tibet. In view of American recognition Chinese sovereignty, Foreign Minister says he believes Chinese position concerning call on President should be first consideration. He therefore renews request that Tibetans not be permitted call on President unless accompanied by Chinese Ambassador and suggests that American refusal be explained to Tibetans on grounds that recognition of Chinese sovereignty requires that priority be given to Chinese wishes.

Embassy believes that Chinese stand is based on three factors:

(1) Foreign Minister is so sensitive on question Chinese sovereignty that any action which by any stretch of the imagination could be construed as a reflection on that sovereignty is repugnant to him;

(2) Foreign Minister feels Tibetans will use call on President as precedent when they visit London and in collaboration with British will take action on which Chinese cannot favor;

(3) Control Yuan has openly and strongly been attacking Foreign Office with charges that it has not shown sufficient firmness in protecting Chinese interests in Tibet.

STUART

693.0031 Tibet/8-1148

Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Sprouse)

[WASHINGTON,] August 11, 1948.

Participants: Dr. Tan Shao-hwa, Chinese Minister
Mr. Sprouse, CA
Mr. Freeman, CA

In Mr. Butterworth's absence, I received Dr. Tan this afternoon who called by appointment. Dr. Tan said that the Chinese Embassy had been informed by the Foreign Office of the approach made by the American Embassy at Nanking in regard to the call of the Tibetan Trade Mission on the President. The Foreign Office had indicated to the American Embassy at Nanking, and had so informed the Chinese Embassy here, that it was still unwilling that the Tibetan Trade Mission call on the President unless accompanied by the Chinese Ambassador. Dr. Tan said that the Foreign Office attitude was based on the principle of Chinese juristic relations with Tibet and apprehension that any encouragement given to the Tibetans in the United States might create political difficulties for the Chinese Government. He described these difficulties as being both internal and international. He said that internally the Foreign Office had to consider criticism by the Legislative Yuan. Externally there was apprehension lest any excuse be given for action by China's northern neighbor.

Mr. Freeman assured Dr. Tan that the discussions between members of the Tibetan Trade Mission and officials of this Government had been confined solely to commercial and trade matters and that there had been no reference whatsoever to political matters. Dr. Tan said that the Chinese Embassy believed that the Tibetans had some political motive in their visit to the United States.

Dr. Tan said that at the time of its departure from Washington the Tibetan Trade Mission had indicated that it might return to this city and it was felt by the Chinese Embassy that the Tibetans might still hope to see the President. Mr. Sprouse informed Dr. Tan that he had heard nothing of any Tibetan plans for a return to Washington, which was confirmed by Mr. Freeman.

693.0031 Tibet/8-748

The Secretary of State to the Leader of the Tibetan Trade Mission (Shakabpa), in New York

WASHINGTON, August 27, 1948.

MY DEAR MR. SHAKABPA: I have the honor to acknowledge the receipt of your letter dated August 7, 1948 addressed to the Secretary

of State in which you request that the United States Government make available for purchase and subsequent export to Tibet fifty thousand ounces of gold for the stabilization of the Tibetan currency.

Application to purchase gold from the United States Government should be submitted to the United States Treasury through the Federal Reserve Bank of New York. The Department of State is informed that the Treasury Department is willing to sell gold to the Government of Tibet for the stabilization of the Tibetan currency.

In connection with your suggestion that the United States Government raise with the Government of India the question of trade and exchange controls exercised over transactions between Tibet and other countries, it is not believed to be appropriate under the circumstances for the United States to interfere in this matter.

Sincerely yours,

For the Secretary of State:

J. BURKE KNAPP

*Director Office of Financial
and Development Policy*

693.0031 Tibet/8-748

The Secretary of State to the Secretary of the Treasury (Snyder)

WASHINGTON, August 27, 1948.

The Secretary of State transmits to the Secretary of the Treasury for the information of the Office of International Finance of the Treasury Department a file of papers concerning the request of the Tibet Trade Mission to be given permission to purchase in the United States and to export to Tibet fifty thousand ounces of gold for the purpose of stabilizing the Tibetan currency. The chief enclosure consists of a letter dated August 7, 1948 to the Secretary of State from Mr. Tsepon Shakabpa, Leader of the Tibet Trade Mission, in which among other subjects the request above mentioned is broached. Also enclosed is the Department of State's reply to Mr. Shakabpa.

In the event such a request to purchase gold is submitted to the Treasury Department, the State Department would perceive no objection to sale of gold to the Government of Tibet and does not believe that such sale would in any way constitute an impairment of United States recognition of China's *de jure* sovereignty over Tibet, since the Department does not intend that such a sale would affect the continuation of this Government's recognition of China's *de jure* sovereignty over Tibet.

693.0031 Tibet/8-3048

*Memorandum of Telephone Conversation, by the Assistant Chief of
the Division of Chinese Affairs (Freeman)*

[WASHINGTON,] August 30, 1948.

In a telephone conversation of today's date with Mr. Ratna, Interpreter of the Tibetan Trade Mission, the latter informed me that the Mission had just returned to Washington from New York and that they were expecting to remain here for two or three days. He stated that the purpose of their return was to have a further conversation with Secretary Marshall and requested, on behalf of the Leader, that an appointment be arranged.

I stated that the Secretary was extremely busy at this time and that I thought it was highly unlikely that it would be possible to arrange for a second appointment for the Mission. I suggested, however, that if they would inform me of the matters they wished to discuss—financial, commercial, trade, etc.—I might put them in touch with the appropriate officials of the Government. The interpreter referred this question to the Leader and, after a long discussion in Tibetan, informed me that they wished to discuss business which concerned the Department of State and therefore desired to see a deputy of the Secretary. I replied that Mr. Butterworth was presently on leave, but that I would endeavor to arrange an appointment for the Mission with Mr. Benninghoff^{20a} for the following day.

693.0031 Tibet/8-3148

*Memorandum of Telephone Conversation, by the Chief of the Division
of Chinese Affairs (Sprouse)*

[WASHINGTON,] August 31, 1948.

I telephoned Mr. Tsui this morning to tell him that I had looked into the matter of the Tibetan Trade Mission's attempting to obtain a loan from the U. S. Government and to negotiate a trade agreement with the United States, concerning which Mr. Tsui had inquired last week. I said that, as I had previously indicated, there was no basis for such a report.

^{20a} H. Merrell Benninghoff, Deputy Director, Office of Far Eastern Affairs.

693.0031 Tibet/8-3148

*Memorandum of Conversation, by the Assistant Chief of the Division
of Chinese Affairs (Freeman)*

[WASHINGTON,] August 31, 1948.

Participants: Tsepon Shakabpa, Leader of the Tibetan Trade Mission
Rinshi Pangdatshang, Member of the Tibetan Trade Mission
Mr. Ratna, Interpreter of the Tibetan Trade Mission
Mr. Benninghoff, FE
Mr. Freeman, CA

The above-named three members of the Tibetan Trade Mission called this morning by appointment on Mr. Benninghoff. As on previous occasions, Mr. Shakabpa spoke for the Mission through the interpreter.

Mr. Shakabpa opened the conversation by expressing appreciation for the offer to sell 50,000 ounces of gold to Tibet for purposes of currency stabilization and requesting a temporary loan to Tibet of \$2 million in order that the gold purchase might be arranged immediately. (The details of Mr. Shakabpa's proposal are embodied in the attached letter to the Secretary dated August 31, 1948,²¹ which was handed to Mr. Benninghoff at the close of the conversation.) Mr. Shakabpa explained that the Government of Tibet had sufficient rupee exchange in banks in India which could serve as collateral for the loan. In reply to the pertinent question, Mr. Shakabpa stated that the amount of rupee exchange was in excess of the \$2 million requested, computed at the official rate of exchange.

Mr. Shakabpa emphasized the temporary nature of the loan requested, and stated that it could in all probability be repaid shortly after the Mission's return to Tibet. He said that, if the loan were granted, it would strengthen Tibet's bargaining position in current discussions with India looking toward a revision of the "old treaty" between Tibet and British India, and he indicated that the commercial and financial aspects at issue might then be resolved in Tibet's favor.

Mr. Shakabpa also brought up the question of the possibility of American businessmen, tourists, newspaper men, etc. and official American representatives visiting Tibet. He stated that his Mission was concerned with purely commercial and financial matters, but that he wished to report to his Government the views of the U. S. Government in this regard. He explained that the Mission had received many informal requests from various Americans for permission

²¹ *Infra.*

to visit Tibet and he indicated that the Mission heartily approved of the idea. (Both Mr. Benninghoff and myself received the impression, however, that such permission might be conditional upon the granting of the \$2 million loan.)

Mr. Benninghoff replied that he felt that it would be advantageous to both Tibet and the U. S. if there were more interchange of businessmen, students, newspaper men, etc., but that under present conditions travel to Tibet by foreigners was apparently not permitted by the Tibetan Government. With regard to official American representatives, Mr. Benninghoff inquired of Mr. Shakabpa what the attitude of the Tibetan Government would be if the U. S. Government should request authorization to send an American Consul into Tibet. I explained that, if such a decision were perchance made, it would in no way constitute an alteration of our traditional recognition of China's *de jure* sovereignty over Tibet. Mr. Shakabpa stated that he was not in a position to speak for his Government in this regard, but that he was of the opinion that such a request might be regarded with favor.

Mr. Benninghoff stated that the question of the \$2 million loan would be discussed with the appropriate officers of the Government and that the Mission would be informed in the premises as soon as possible. Mr. Shakabpa stated that the Mission would return to New York on September 1 and requested that the Department's reply be forwarded to the Mission in care of the Hotel Commodore, New York City.

693.0031 Tibet/8-3148

The Leader of the Tibetan Trade Mission (Shakabpa) to the Secretary of State

WASHINGTON, August 31, 1948.

YOUR EXCELLENCY: I have the honour to acknowledge your kind letter dated August 27, 1948 (Ref. FN), signed by J. Burke Knapp esquire and express our gratitude in the Treasury's consent to sell to the Government of Tibet fifty thousand ounces of gold for currency stabilization.

And regarding the Dollar exchange with which to pay for the gold, we received a telegram from the Government of Tibet. In the telegram we are informed that it seems the Government of India is going in the long run to release U. S. Dollars for Tibet.

But because the talks going on between the Government of India and the Government of Tibet regarding the continuation or otherwise of the old treaty between Tibet and British India have not concluded,

it may be that it will take some more time before the U. S. Dollar is actually released for us by the Government of India.

Therefore, we are now instructed by the Government of Tibet to request to the Government of the United States for a temporary loan of two million dollars with which to buy the gold and some machineries in the United States for export to Tibet.

This loan, of course, will be repaid, as soon as we get the Dollar release from the Government of India. But in case for any reason unforeseen she will not release the necessary Dollars for Tibet, we intend to repay the Dollar loan from the proceeds of exports to the United States of our products of Tibet such as wool, furs, musk, yak-tails, etc. Of course, all necessary talks with the Government of India on this score will be done by the Tibetan Government herself.

The Government of Tibet has instructed us to apply for this temporary loan because she thinks that this will give her ample time and opportunity to withstand the pressure of the Government of India on Tibet to re-settle the old treaty according to the original terms which are rather disadvantageous to Tibet in as much as they place difficulties in her way towards commercial and other relations with other countries.

We hope, Your Excellency will, after careful consideration, favour us with an early, favourable and sympathetic reply.

I have [etc.]

(TSEPON SHAKABPA
Leader, Tibet Trade Mission)

693.0031 Tibet/9-448

Memorandum of Conversation, by the Assistant Chief of the Division of Chinese Affairs (Freeman)

[WASHINGTON,] September 4, 1948.

At the conclusion of a conversation on another subject, Mr. Tsui stated that he was of the understanding that the members of the Tibetan Trade Mission had returned to Washington for a few days and were perhaps still in the capital. He stated that Ambassador Koo had requested that he reiterate the position of the Chinese Government with respect to the Tibetan Trade Mission and urge that the U. S. Government take no steps which would in any way affect China's traditional sovereignty over Tibet.

I assured Mr. Tsui that the Department was very conscious of the Chinese Government's position in this matter and that there was no intention of altering our traditional attitude of recognizing China's *de jure* sovereignty over Tibet. I added that the three members of the Mission had in fact returned to Washington for two days at the

beginning of the week but that they had then gone back to New York where it was believed they would remain for a few more weeks.

811.001 Truman, H. S./8-2748

The Acting Chief of Protocol (Muir) to the Leader of the Tibetan Trade Mission (Shakabpa), in New York

WASHINGTON, September 7, 1948.

MY DEAR MR. SHAKABPA: At the direction of the President I am forwarding herewith for His Holiness the Dalai Lama an autographed photograph of the President.

It is requested that you present this photograph to His Holiness with the good wishes of the President upon your return to Tibet.

Sincerely yours,

R. D. MUIR

693.0031 Tibet/8-3148

The Secretary of State to the Leader of the Tibetan Trade Mission (Shakabpa), in New York

WASHINGTON, September 27, 1948.

MY DEAR MR. SHAKABPA: I have the honor to acknowledge your letter of August 31, 1948, addressed to the Secretary of State requesting a loan from the United States of two million dollars with which to purchase machinery for export to Tibet and also to acquire gold for currency stabilization purposes.

There are no funds available at the present time to permit a loan to the Government of Tibet for currency stabilization purposes.

With respect to your interest in the purchase of machinery, the Export-Import Bank of Washington is authorized under certain conditions to make loans and guarantees to finance exports from the United States. The facilities of the Bank are available to United States exporters of goods and technical services, and to foreign governments and their agencies, foreign banks and enterprises. While your letter does not offer details concerning the types of machinery which your Mission is interested in purchasing, or the character or terms of the loan which is sought, you might desire to discuss these matters directly with representatives of the Export-Import Bank. For your consideration, a copy of the general policy statement of the Export-Import Bank is enclosed.

Sincerely yours,

For the Secretary of State:
J. BURKE KNAPP
*Director Office of Financial
and Development Policy*

693.0031 Tibet/9-2748

*Memorandum of Telephone Conversation by the Assistant Chief of
the Division of Chinese Affairs (Freeman)*

[WASHINGTON,] September 27, 1948.

Subject: Request of the Tibetan Trade Mission for a Loan to Purchase Gold

I telephoned Mr. Tsui at the Chinese Embassy today and referred to his previous conversation with Mr. Sprouse on the above subject at which time Mr. Sprouse informed him that no request for such a loan had been received from the Tibetan Trade Mission. I informed Mr. Tsui that, at some time subsequent to his conversation with Mr. Sprouse, a communication from the Tibetan Trade Mission was in fact received requesting a loan from the U. S. Government for the purpose of purchasing gold to be used for currency stabilization in Tibet. I further informed Mr. Tsui that a reply had now been transmitted to the Tibetan Trade Mission in New York stating that the U. S. Government does not have funds available for this purpose.

Mr. Tsui thanked me for this information and indicated that he would transmit it to his government in Nanking.

693.0031 Tibet/11-548

*The Leader of the Tibetan Trade Mission (Shakabpa) to the
Secretary of State*

NEW YORK, November 5, 1948.

YOUR EXCELLENCY: I take this privilege to inform Your Excellency that owing to the help and co-operation so kindly extended to us during our stay in the United States by the State Department, we have been able to contact with a number of wool importers and the producers and suppliers of American goods in the United States. While we visited some of the factories here, we found many American products suitable for Tibet. I shall no doubt report all these findings to the Government of Tibet.

And if we are successful in our talks with the Government of India, and we hope we will be, for husbanding ourselves the U. S. Dollar we earn from the export of Tibetan products to the United States, we hope mutual trade between Tibet and the United States can be carried on to a considerable volume.

We are leaving New York for Paris, France on November 6th by the ship *Queen Elizabeth*. And we take this opportunity of saying good-bye to the State Department.

I have [etc.]

TSEPON SHAKABPA
Leader

EFFORTS BY THE UNITED STATES TO KEEP OPEN
ROUTES OF COMMUNICATION AND SUPPLY FOR THE
CONSULATE AT DAIREN¹

125.3516/8-2648 : Telegram

The Secretary of State to the Consul at Dairen (Paddock)

WASHINGTON, August 26, 1948—6 p. m.

51. Closing post Vladivostok² will require transmitting messages Dept thru Emb Moscow. Attempt send next tel both routes as test. Emb Moscow advised.

MARSHALL

125.3516/8-2648 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Smith)*

WASHINGTON, August 26, 1948—6 p. m.

1024. Closing post Vladivostok requires Dairen attempt send outgoing tels thru you (Dairen can receive incoming traffic via Shanghai). As Sov milit radio system cannot handle English alphabet Dairen's messages will be in numerals which please relay Dept. Info for you will be transmitted Moscow by Dept.

MARSHALL

125.3516/8-2848 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, August 28, 1948—9 a. m.

[Received October 1—1:24 a. m.]

127. I have asked Soviet consent to route Contels direct to Moscow Embassy after Vladivostok Consulate closed. He will "find out" if this possible.

Regarding Moscow routing it also suggested Nanking Embassy

¹ For previous correspondence concerning Dairen, see *Foreign Relations*, 1947, vol. vii, pp. 481 ff.

² For situation leading to the closing of the Consulate General at Vladivostok, see note 156 from the Soviet Embassy, August 24, and the Department of State's note, September 9, vol. iv, "Union of Soviet Socialist Republics" (collection 3).

review subject on broadcasting own telegrams to USIS^{*} station. I was told Shanghai [has?] all necessary equipment there and ready but never proven in test.

Conditions re use of radio different now than when Consulate opened. Use by other American Consulates in China now established. US position re illegal status of Soviets in Dairen more clear cut.

If Embassy authorizes radio, my suggestion merely begin use as routine matter with no notes to Soviet.

Sent Nanking 32, Department 127. Department pass Nanking, Shanghai 50, Moscow 27.

PADDOCK

125.3516/8-3048: Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, August 30, 1948—9 a. m.

[Received September 30—11:40 p. m.]

131. Again called on Soviet ConGen re messages via Moscow after receipt Deptel 51, August 26 (received after sending Contel 32 to Nanking, repeated Department 127, Shanghai 50, Moscow 27). Soviets refuse commit selves but promise inform Consulate in few days.

Matters left basis current telegrams go Vladivostok and also may go Moscow. Perhaps best if Moscow Embassy itself reports if Dairen telegrams suddenly received by a new route.

Sent Department 131, Moscow 29, Department pass Moscow, Nanking 35, Shanghai 54.

PADDOCK

121.67/8-3148: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 31, 1948—6 p. m.

[Received September 1—2:19 p. m.]

1607. Closing of our Consulate General at Vladivostok not only resurrects vexatious question of maintaining courier service to our Consulate at Dairen, but it raises fundamental question of whether there is anything we can do to prevent Dairen Consulate from simply dying on the vine.

It is, of course, most unlikely that Soviet would permit continuance of recent Shanghai-Dairen courier service via Vladivostok, but, even

^{*} United States Information Service.

if they should, such a service would be impossible from security point of view.

After careful study of files covering last 2 years, Embassy believes there are essentially only three means by which Dairen can now be serviced. In decreasing order of desirability, economy, and feasibility, they are:

(1) By small unarmed US naval vessel or LCI from Tsingtao as was done early last year. This is certainly cheapest and most dignified method;

(2) By small Korean flag coastal vessel or motor junk under charter as suggested in Dairen's telegram 106 of July 13 to Department and pursued in Deptel 1447 of August 9 to Shanghai.⁴ Embassy looks with misgivings upon this method, since courier travel from Korea could easily be frustrated by Soviets on ground of visa technicalities and Soviet nonrecognition of South Korean Government. Furthermore, administrative difficulties of routing diplomatic pouches from Shanghai to Dairen via Seoul would be considerable;

(3) By commercial vessels from Shanghai under charter such as proposed last spring for the SS *Coastal Champion* (reDeptel 633, April 9, to Shanghai⁵). This procedure would prove very expensive and difficult to maintain with any regularity. Furthermore, the weak-kneed Chinese policy of not giving offense to Soviet Union gives cause to believe that Chinese Government would itself eventually frustrate this means of communication by reverting to its contention that Dairen is closed port not open to commercial vessels.

In light of above, Embassy recommends that Department consider instructing Embassy Moscow to approach Soviet Foreign Office and flatly demand that Foreign Office either agree to establishment of monthly courier service to Dairen by unarmed US Naval vessels out of Tsingtao or suggest suitable alternative. Embassy at Moscow should shoot all its ammunition on one broadside. For instance, if Department has any appropriate means of retaliation, such as drastic tightening up on Soviet communications to Japan, mention of such retaliation should be made at same time.

Embassy further recommends that, if Soviets by either action or inaction after a month, still refuse to agree to courier service, we should recognize our defeat and Consulate at Dairen should be closed with full publicity.

In the meantime, Embassy requests Seoul to report on operational feasibility of running courier service from Seoul to Dairen by Korean flag coastal vessel.

Sent Department 1607, repeated Shanghai 757, Seoul 29.

STUART

⁴ Neither printed.

⁵ Not printed.

125.3516/8-3148 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, August 31, 1948.

[Received October 2—11:06 a. m.]

Rumor discussed locally that Consulate Dairen may close as result closing Vladivostok post. This speculation stems from alleged Nanking Central News broadcasts at 2100 and 2300 hours August 27 reporting Secretary of State news conference that date.

It appreciated if Embassy verify whether broadcasts mentioned this office.^a

Sent Dept. Department pass Nanking 38.

PADDOCK

121.67/8-3148 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, September 3, 1948—11 a. m.

1263. Dept actively considering situation Embtel 1607, Aug 31 assumes Emb has ascertained availability Tsingtao small unarmed US Naval vessel or LCI.

MARSHALL

125.3516/9-1248 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, September 12, 1948—1 p. m.

[Received October 1—10:21 p. m.]

144. At conference with Soviet Consul General, I unable learn if any telegrams yet sent direct Moscow (reContels 127, August 28 and 131, August 30).

I therefore informed him from September 14 I addressing all telegrams only to Moscow Embassy and assume they sent there direct. I will send to Vladivostok only telegrams for that post. I said I ask Embassy acknowledge receipt each telegram (via Shanghai).

I handicapped by no information actual date Vladivostok to close.

When it closes I shall send daily telegram, even if only dummy, to Moscow Embassy until certain new route satisfactory.

Sent Department. Department pass Moscow 41, Nanking 50, Shanghai 80.

PADDOCK

^a For reply, see telegram No. 62, October 12, 1 p. m., p. 796.

121.67/8-3148 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Smith)*

WASHINGTON, September 16, 1948—7 p. m.

1126. Text Nanking's 1607 Aug 31 to Dept follows:

[Here follows text of telegram printed on page 788.]

Seoul informs use Korean vessel Pusan-Dairen would cost \$7200 for 6-day round trip. This expenditure prohibitive. Expense American merchant vessel also prohibitive. Retaliation by tightening Soviet communications Japan undesirable.

Dept concurs routing couriers Shanghai-Vlady-Dairen no longer feasible, desires your opinion concerning again requesting SovFonOff permission for unarmed USN vessels successfully used four times in past enter Dairen for purpose communicate and provision Consulate monthly. Unless workable arrangement made, Dept sees no alternative closing Dairen consulate. Comments recommendations desired earliest.

MARSHALL

125.3516/9-1748 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Smith)⁷*

WASHINGTON, September 17, 1948—7 p. m.

1137. With closing Vladivostok, no longer possible relay telegrams Dairen Dept via Vladivostok. Necessary revert original practice sending via Moscow. Dept instructed Dairen attempt thru Embassy however no messages received thus far.

Request FonOff make necessary arrangements Soviet authorities Dairen permit Dairen code and plain traffic be sent Moscow via Russian facilities.

Emb refile all traffic received to Dept. Messages will be received numeral code as Dairen converting plain and cipher messages to numeral code facilitate handling via Russian facilities.

MARSHALL

⁷ Repeated to the Embassy in China and to the Consulates at Dairen and Shanghai, as telegrams Nos. 1334, 55, and 1634, respectively.

125.351/9-2048 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, September 20, 1948—6 p. m.
[Received September 21—6:18 a. m.]

2055. We agree Nanking re effect closing Vladivostok Consulate General on problem maintaining Dairen. Furthermore present moment seems appropriate for Soviets step up pressure freeze US out of Dairen. (ReDeptel 1126, September 16, based on Nanking's 1607, August 31 to Department repeated Shanghai 757, Seoul 29). Paddock travel episode,⁸ demand for special Dairen visa guaranteed unpalatable Chinese Foreign Office, Soviets' silence while doing nothing re Dairen's recent telegrams all may be preparatory more direct action in near future. Soviets apparently have not yet used their puppet Dairen municipal government to cause insurmountable administrative difficulties for Dairen staff but use of this easy means attack, responsibility for which can be disclaimed, may not be long deferred. Accordingly we see nothing lost in taking up again with Moscow Foreign Office question using unarmed Navy courier vessels to Dairen.

Lacking retaliatory threats in Japan or diversion commercial vessels to Dairen, Embassy does not see much hope for Soviet approval use unarmed Navy vessel previously refused in writing. If after lapse reasonable time Soviet approval not obtained or action taken on acceptable alternative procedure, Consulate should be closed, giving matter full publicity at appropriate moment to pin full responsibility on Soviets.

Sent Dept 2055, Dept pass Nanking 26, Shanghai 29, Seoul 31.

SMITH

125.3516/9-2048 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, September 20, 1948—7 p. m.
[Received September 21—5:59 a. m.]

2057. Have complied instruction second paragraph Deptel 1137, September 17, repeated Nanking 1334, Shanghai 1634, Dairen 55. Will advise developments.

Sent Dept 2057, Dept pass Nanking 27, Shanghai 30, Dairen 18.

SMITH

⁸ Request for Soviet visa to Vladivostok en route to Dairen for Paul E. Paddock, Jr., Consul at Dairen, remained unanswered; Mr. Paddock thereupon proceeded directly to Dairen aboard a non-Soviet vessel.

125.351/9-2048 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union
(Smith)*

WASHINGTON, September 27, 1948—1 p. m.

1169. Dept extremely reluctant close Dairen Consulate and desires Emb again energetically seek Soviet permission use unarmed naval vessel transport supplies courier that office (your 2055 Sept 20 rptd Nanking 26 Shanghai 29). Suggest in your discretion note Sov-FonOff along following lines:

Closing AmConsulate Vladivostok pursuant Soviet request makes impossible continuance present practice having diplomatic couriers proceed on Soviet vessels Shanghai to Dairen via Vladivostok and makes imperative immediate solution problem transportation couriers Dairen.

As port Dairen now closed to international trade, obviously impractical divert commercial vessels long distance involved sole purpose transporting diplomatic couriers and supplies that city. Resumption use small unarmed naval vessel appears only practical procedure at present. SovGovt will recall such procedure used late 1946 early 1947 with satisfactory results.

US Govt accordingly requests approval SovGovt periodic entry Dairen small unarmed US naval vessel sole purpose transporting diplomatic couriers and supplies AmConsulate. It contemplated vessel would sail from port north China and appropriate Sov authorities be informed sufficiently in advance sailing allow notification Sov authorities Dairen.

In view long period Con Dairen without courier communications early Sov concurrence this procedure would be appreciated.

LOVETT

125.3516/9-2948 : Telegram

The Chargé in the Soviet Union (Kohler) to the Secretary of State

Moscow, September 29, 1948—7 p. m.

[Received September 30—12:50 a. m.]

2187. Am following up with Foreign Office without result so far question Dairen telegrams, none which yet received here (Embtel 2057 to Department September 20, repeated Nanking 27, Shanghai 30, Dairen 18).

Sent Department 2187. Department pass Nanking 33, Shanghai 31, Dairen 19.

KOHLER

125.3516/9-3048 : Telegram

The Chargé in the Soviet Union (Kohler) to the Secretary of State

Moscow, September 30, 1948—2 p. m.
 [Received September 30—8:39 a. m.]

2193. Problem Dairen telegrams should be soon satisfactorily settled (Embtel 2187, September 29, repeated Dairen 19, Shanghai 31, Nanking 33). Foreign Office letter September 29 states Soviet authorities have acquiesced Embassy's request to route telegrams here.

Sent Department 2193; Department pass Dairen 20, Shanghai 32, Nanking 34.

KOHLER

125.351/10-148 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, October 1, 1948—1 a. m. [*p. m.*?]
 [Received October 4—6:31 a. m.]

160. First indication Dairen Consulate may be closed was Deptel to Moscow 1169, September 27, repeated Nanking 1364. Decision seems depend on success sending couriers here.

I anxious Embassy and Department know Vice Consul Gleysteen⁹ and I eager remain here despite isolation. We consider post of strategic value because it only US agency in Commie China.

Commie subservience to Soviets spotlighted here. Kwantung is transit link between Manchuria and Shantung and is outfitting center for Commies in Shantung (ReContel 13, July 21, repeated Department 110¹⁰). Also exit for Commies going abroad. Sporadic opportunities occur to obtain important intelligence information (reContels 11, July 15, repeated Department 107; 40, September 1, repeated Department 135; 43, September 2, [6], repeated Department 138; 47, September 6, repeated Department 141¹¹). Largely due Gleysteen fluency Chinese, data of value obtained from press and casual conversations (reContels 17, July 31, repeated Department 113; 20, August 4, repeated Department 116; ¹² 128 to Department, repeated Nanking 33¹³).

It evident mere existence American Consulate here good propaganda for US, particularly assignment old nation of democratic strength. Soviet and Commie irritation at presence American Con-

⁹ Culver Gleysteen.

¹⁰ Not printed.

¹¹ None printed.

¹² Neither printed.

¹³ Dated August 28, not printed.

sulate, which able refute their propaganda and observe their activities regarding local population, is emphasized by constant efforts restrict Consulate officers. Departure of Patch¹⁴ used initiate new restrictions. Soviet Komandatura now refuses receive letters from Consulate. Chinese officials all ranks refuse let me call on them. Local population afraid come my residence, for example fix radio. Social contacts limited to 8 persons, most of whom informers. Consulate forced negotiate only with Soviet Consnl. Whatever request made he claims it not in his "competency". Blandly insists all local population free go my house any time any purpose.

Although curfew is at 11, it now almost impossible drive Consulate auto after dark due police constantly stopping it, resulting long, sometimes unpleasant delays. Other autos not stopped. We cannot receive "night passes" which presumably would eliminate this difficulty. We now sleep office when we work evening. In emergency we would be unable to go office at night.

On bright side is fact residence comfortable. Succeeded acquiring full winter supply coal both house and office. Food costs, although enormous for local population, are low for us due dollar exchange rate. Thus no hardships physically.

Despite isolation, Gleysteen and I sincerely anxious remain here keep post open. If it question of cost of special ship, perhaps one courier every 3 months could be managed. In any event, difficulty regarding immediate servicing of this Consulate is not in itself sufficient cause to close office.

Sent Nanking 62, repeated Department 160. Department pass Nanking, Shanghai 93, Moscow 54.

PADDOCK

121.67/10-148 : Telegram

The Chargé in the Soviet Union (Kohler) to the Secretary of State

Moscow, October 1, 1948—2 p. m.
[Received October 1—11:08 a. m.]

2204. Communication re Dairen couriers sent FonOff September 30 (reDeptel 1169, September 27, repeated Nanking 1364, Shanghai 1664, Dairen 56).

Department pass Nanking 35, Shanghai 33, Dairen 21.

KOHLER

¹⁴ Isaac Patch, Jr., Vice Consul, transferred to Moscow.

125.3516/10-148 : Telegram

The Acting Secretary of State to the Consul at Dairen (Paddock)

WASHINGTON, October 1, 1948—5 p. m.

57. Your long delayed tels now being rec'd, last dated Sept 2 and backlog apparently being transmitted chronologically. Confirm receipt all Deptels through this number.

Your 129 Aug 28 to Dept¹⁵ and 38 Aug 31 to Nanking¹⁶ should have been encoded. In future exercise caution re material transmitted plain tels.

LOVETT

125.3516/10-648 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, October 6, 1948—10 a. m.

[Received October 8—8:09 a. m.]

164. Blackout of Contels apparently lasted from date announcement Vladivostok Consul closing, about August 25, until October 1. First indication to Dairen that Embassy or Department aware situation was Deptel 55, September 17, repeated Nanking 1334.¹⁷

This can, of course, happen again any time Soviets choose.

It suggested some specific person or office should note when Dairen telegrams cease arriving regularly—perhaps coderoom at Department or at Moscow Embassy or an officer at Nanking Embassy.

If one week elapses without telegram from Dairen, inquiry should be instituted.

Sent Nanking 65, repeated Department 164. Department pass Nanking, Shanghai 97, Moscow 57.

PADDOCK

125.3516/8-3148 : Telegram

The Acting Secretary of State to the Consul at Dairen (Paddock)

WASHINGTON, October 12, 1948—1 p. m.

62. Neither at Secty press conference Aug 25 nor Dept spokesman conference succeeding days was possibility closing Consulate Dairen discussed (Dairen unnumbered Aug 31 rptd Nanking 38).

LOVETT

¹⁵ Not printed.¹⁶ Sent as unnumbered telegram to the Department, p. 790.¹⁷ See footnote 7, p. 791.

125.3516/10-748 : Telegram

The Acting Secretary of State to the Consul at Dairen (Paddock)

WASHINGTON, October 12, 1948. -4 p. m.

63. Your 32 Aug 28¹⁸ and 52 Sept 15,¹⁹ both to Nanking. Dept. approves position taken Embtel 21 Oct 7 to Dairen²⁰ re inadvisability utilize radio transmitter Dairen. This question broached to local authorities Dairen several previous occasions by ConGen Benninghoff but request invariably refused. Dairen telegrams now being received via Moscow with average delay 4 days and Dept believes nothing would be served by stirring up question use own transmitter this time.

In event Dairen were to initiate use transmitter without prior authorization local authorities, possibly result in confiscation equipment or even closure Consulate. Transmitter should therefore be utilized only in case extreme emergency and with understanding probably one time operation.

LOVETT

121.67/11-148 : Telegram

The Acting Secretary of State to the Consul General at Shanghai (Cabot)

WASHINGTON, November 1, 1948—3 p. m.

1843. Essential reestablish contact Dairen. Report feasibility two couriers traveling there via Vladi. One should have made trip before. Report tentative date departure Shanghai.

LOVETT

121.67/11-248 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 2, 1948—4 p. m.

[Received November 2—4:38 a. m.]

2292. Deptel 1843, 1st, 1 [3] p. m., repeated Moscow 1282. Local Soviet Consulate advises steamer available about November 15 for Vladivostok. Koval and Bernhardt²¹ visas requested, personal data

¹⁸ Sent to the Department as No. 127, p. 787.¹⁹ Not printed.²⁰ Sent to the Department as No. 1860, not printed.²¹ John Koval and Matthias R. Bernhardt, respectively, chosen to go as couriers to Dairen.

at Embassy Moscow. Trip feasible if Soviet Foreign Office authorizes Soviet Consulate Shanghai issue visas by November 10.

Sent Department 2292; repeated Moscow 33, Dairen 87, pouched Nanking 1735.

CABOT

125.351/11-348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 3, 1948—noon.

[Received November 3—8:42 a. m.]

2073. We believe recent Communist victories in Manchuria have highlighted present value and considerably increased potential value of our Consulate in Dairen. In final paragraph of his telegram October 1, sent Nanking 62, repeated Department 160, Paddock urged that Dairen Consulate not be closed simply because of delay in re-establishing courier service. We are inclined to reconsider our recommendation made in penultimate paragraph Embtel 1607, August 31 that Dairen Consulate be closed with full publicity if Soviets after a month still refuse to agree to our re-establishment of a courier service and now to recommend further and more emphatic approach to Foreign Office in Moscow to permit us to service Dairen.

More than month has now passed since Moscow Embassy on September 30th first sent letter to Soviet Foreign Office requesting prompt approval of proposed re-establishment of courier service and, as far as we have learned, Soviet Foreign Office has not yet shown courtesy of reply. This inaction clearly portends Soviet intention to allow our Dairen Consulate simply to die on the vine through lack of courier service bringing in currency, codes and vital supplies. We believe the longer this Soviet inaction continues, the more set it will become.

More emphatic representations Moscow might consist of flat statement to Soviets that, if they continue to obstruct our legitimate courier service to Dairen, we shall have no recourse but to reconsider the policy of cooperation which we have always followed in assisting Soviet courier services out of Washington to such lateral points as Ottawa, Mexico City, Havana, and even Australia. We believe it very probable that Soviets would quickly realize danger of jeopardizing their lateral courier runs under our control which are certainly more important to them than ours to us. Furthermore, given Soviet custom of making their reprisals in kind, we think there is little danger that Soviets would try to retaliate to this display of force in some other unrelated fields (which have already been quite well covered anyway).

Unless we are prepared to force this issue to logical and justifiable conclusion, we hold as academic question raised in Paddock's despatch No. 31, July 25 to Embassy (copy to Department ²²) concerning his recommendations about periodic assignments of Russian and Chinese speaking FSOS to Dairen and Moscow's and Peiping's approval thereof (see Moscow airgram 892, September 13 to Department ²²) and Peiping despatch No. 69, August 21, sent Nanking with copy to Department.²²

STUART

893.1561/11-948 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, November 9, 1948—6 p. m.
[Received November 11—7:07 a. m.]

200. Sources, reliability unknown, state: (1) Soviets plan "open" Dairen port within month; (2) railroad Dairen-Harbin to open by February; (3) Harbin-Changchun section already operating.

Recurrence of open port rumors natural now [that] all Manchuria can easily send and receive goods through here. Actually Siberian vessels whose cargoes commercial in every sense (except that all goods semi-military in USSR) have long used port without restraint. Soviet ships reported go direct world ports but with papers indicate they from some Siberian port. It likely some come here direct from non-Soviet ports since examples occur Soviet sailors trading articles like fresh US or British cigarettes.

One precedent open port was S. S. *Nortuna* (reContel 9, July 13, repeated Department 105.²² Moscow 8) whose presence apparently never protested by Chinese Government.

Reported visit here Mao Tse-tung ²³ (reContel 88, November 9, repeated Department 196 ²²) could well be linked with talks reopening outlet for Manchurian trade. Communists particularly anxious trade soya beans for vitally needed medicines and manufactured articles.

Sent Nanking 91, repeated Department 200. Department pass Nanking 91, Shanghai 131, Mukden 37, Moscow 77.

PADDOCK

²² Not printed.

²³ Chairman of the Central Committee of the Chinese Communist Party.

121.67/11-1548 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, November 15, 1948—6 p. m.
[Received November 18—11:45 a. m.]

207. Attempt send pair couriers via Vladivostok apparently unsuccessful (Shanghai's telegram 2292 to Department, November 2). It hoped further efforts send courier here will not, however, hinge on hope Soviet visas available for next *Syslmy* [*Smolny*] trip. Reference port office's personnel waiting at Shanghai for Soviet visas pertinent.

Status re Moscow Embassy request for Soviet permission send Government ship not known, Deptel 1169 to Moscow, September 27, repeated Nanking 1364. Unless there evidence permit to be granted, it would seem better develop entirely new route for servicing Dairen.

No courier here since July. Immediate problem is need for dollars, Contel 189 to Department November 1, repeated Nanking 81.²⁶

Office broke by mid-January.

Thus, although Vice Consul Gleysteen and I still eager carry on here (Contel 62 to Nanking, October 1, repeated Department 160, to Moscow 54), it felt Embassy and Department need to explore new possibilities regarding sending courier or to reconsider value of maintaining this post.

Closing office would be unfortunate, as explained in reftel in last paragraph, due unique opportunity observe Soviet-Chinese Comm. relations here. If Communists take over Dairen openly, it probably would be difficult reopen Consulate, based on precedent of Harbin Consulate 1946.²⁷

Additional factor now is perhaps Mukden eventually serviced through Dairen when reopens. Another incentive to "hang on" here is that courier problems possibly solved when port opened, Contel 91 to Nanking November 9, repeated Department 200.

Consulate itself has no ideas regarding other possibilities get courier here except as suggested in Contel 16, July 13 to Shanghai, repeated Department 106, Nanking 10.²⁶ Principle would seem [to be] that if US had "right" send big *Coastal Champion* (initiated by Nanking telegram 501 to Department, March 19²⁶) it also has right send small merchant ship each month. American flagship preferable but diffi-

²⁶ Not printed.

²⁷ The Consul General at Mukden (Clubb) was appointed on July 9, 1946, as Consul General at Harbin, but he was never permitted to proceed beyond Changchun. The Harbin Consulate General was not opened, and Mr. Clubb was appointed Consul General at Changchun on May 29, 1947, until his transfer to Peiping later that year.

culties with local officials to be expected regardless of type transport carrier used and of prior Moscow arrangements.

Information requested as to current status courier problem and plans of Embassy and Department if solution not found soon.

Sent Nanking 96, Department 207, Department pass Nanking, Shanghai 137, Moscow 82.

PADDOCK

121.67/11-1548: Telegram

The Chargé in the Soviet Union (Kohler) to the Secretary of State

Moscow, November 15, 1948—7 p. m.

[Received November 15—6:40 p. m.]

2651. Soviet Foreign Office informs us visa approval Koval and Bernhardt cabled Soviet ConGen Shanghai (Shanghai's 2292, November 2). Embassy has continued press since September 30 authorization employ naval courier vessel for Dairen (Embtel 2204, October 1) and explained proposed courier trip via Vladivostok exceptional and difficult both for US and Soviet authorities, but necessary view long delay and in order give Foreign Office time to describe [*decide*] re courier vessels. Foreign Office appeared agree and assured matter under serious consideration but we fear visa approval presages negative response.

Sent Dept 2651; Department pass Shanghai 38, Dairen 25.

KOHLER

125.3516/11-1548: Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, November 15, 1948—8 p. m.

[Received November 18—2:16 p. m.]

208. Parallel to courier problem (resumed preceding telegram) is need for Embassy review type of data needed from Dairen. If desire is only keep post open for strategic reasons, present staff organization satisfactory. If desire is obtain maximum data for intelligence agencies and political officers, then information available here merely being skimmed.

Arrival of Vice Consul Gleysteen, who able speak, read Chinese, opened new sources information and shifted emphasis in Consulate work. His time is given to press, talking to local Chinese and handling office affairs requiring Chinese language. Result is I do all administrative work, filing, coding, typing, et cetera. We both average 65-hour week. Considerable press and other background material now awaiting courier.

Deptel 68, October 21²⁹ (not repeated Nanking) says Gleysteen replacement here by April 1. Consulate despatch 31 to Nanking July 25²⁹ "personal [*personnel?*] assigned Dairen" emphasized they must be started on way several months before scheduled arrival. Hence replacements should be selected now.

To be fit to do effective reporting and biographic work, office complement should be two American[s] able read, speak Chinese and one American clerk in addition to chief officer.

This is strictly intelligence outpost and not ordinary Consulate. New personnel should be trained in intelligence work. By this is meant observation, not underground.

If Consulate kept open, it suggested Embassy request Department for the additional personnel in order utilize resources this post.

At same time Embassy requested verify my opinion correct re real function of office.

Sent Nanking 97, repeated Department 208. Department pass Nanking, Shanghai 138.

PADDOCK

121.67/11-1848 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 18, 1948—noon.

[Received November 18—1:50 a. m.]

2457. Arrangements being made for Koval and Bernhardt depart Shanghai November 24 via *Smolny* to Vladivostok and onward travel to Dairen. In view uncertain conditions, Department's authorization requested for Consulate General advance total \$2,500 to Koval and Bernhardt for travel expenses and per diem while at Vladivostok.

Sent Department 2457; repeated Moscow 35, Dairen 90, pouched Nanking 1857. Department pass Moscow.

CABOT

121.67/11-1848 : Telegram

The Acting Secretary of State to the Consul General at Shanghai (Cabot)

WASHINGTON, November 19, 1948—6 p. m.

1979. Following arrival Koval and Bernhardt [at] Dairen (Shanghai tel 2457 Nov 18 to Dept rptd Moscow 35, Dairen 90, Nanking 1857) Dept desires they proceed if possible Mukden and return via Dairen. Shanghai should supply Dairen and Mukden necessary data re couri-

²⁹ Not printed.

ers enable clearance this travel with appropriate authorities and should give couriers mail and supplies for Mukden. Dept suggests Koval and Bernhardt discuss with Consuls Mukden and Dairen possibility more direct travel for example via south Manchurian port using unarmed US Naval vessel and attempt ascertain feasibility use railway Vladivostok Harbin Mukden Dairen.

LOVETT

711.93/11-2248 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, November 22, 1948—9 a. m.

[Received November 23—2:23 a. m.]

219. During long (successful) negotiations regarding exchange Consulate funds for new currency (reContel 98, repeated Department 209, November 16 ³⁰) Consul had more contact with Chinese Communist officials than any time since arrival present officers June 1948. Following observations may be of interest:

Communists insist since US Government does not have diplomatic relations with "the government" all requests granted are on basis special favor.

Kwantung government officials consider themselves part of all-China Communist movement but shield themselves behind ultimate Soviet authority here or alleged independent status of Kwantung government when it necessary dodge decision.

When interview arranged before hand, giving Communist front men chance prepare for ordeal, Consulate officer received with courtesy, tea, etc. When Consular officer directly approaches office concerned with problems, treatment hostile, often rude. All officials give impression they prefer have no dealings with Consulate.

Long waits have given opportunity observe Chinese Communist staff. In many ways it evident anti-American indoctrination deep. Officers typically Chinese, overstaffed and inefficient by western standards; but there is definite air of enthusiasm and self-confidence.

Sent Nanking 104, repeated Department, Shanghai 147, Mukden 48, Moscow 88.

PADDOCK

³⁰ Not printed.

121.67/11-2248 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, November 22, 1948—noon.
[Received November 23—2: 56 a. m.]

220. Railway not open now to Mukden; no indication it will be by time couriers arrive, reDeptel 1979 to Shanghai, November 19, repeated Moscow 1330.

For couriers to Mukden two sets permits needed: One from Soviets for Kwantung and one from Chinese Communists for Manchuria proper. Latter probably not procurable here, reference immediately preceding Consul telegram.

Consul certain local Soviets will not issue pass to couriers for travel to Kwantung order [*sic*] except with Moscow clearance. It suggested Department request Moscow Embassy present this matter now to Foreign Office. Consul will make similar application locally when railroad opens.

If railroad not open but both permits received, should couriers go with Consul chauffeur jeep trailer? Present road conditions unknown.

If Soviet permit received and no indication of arrangement with Chinese Communists, should couriers attempt go Mukden?

If permits not granted by time couriers arrive, Consul will arrange for them return Vladivostok by same ship. Instructions should be given now whether leave or take Mukden mail back to Shanghai. If couriers still in Shanghai, would be well reconsider hold Mukden mail there rather than send it Dairen which now dead end.

If [*It?*] felt Mukden-Dairen courier route a future rather than present possibility due sensitivity of Soviet and Chinese Communists about their anomalous status here which will probably exist until Soviets recognize Chinese Communists.

Consul assumes another pair couriers will depart from Shanghai on next *Smolny* regardless if this pair returned or not to Shanghai. Verification of this requested.

Sent Department. Department pass Shanghai, Nanking 105, Moscow 89, Mukden 49.

PADDOCK

121.67/11-2748 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, November 27, 1948—1 p. m.
[Received November 27—1 : 30 p. m.]

2751. ReEmbtel 2651.³¹ Foreign Office letter dated November 25 states Soviet authorities consider practicable continued travel American diplomatic couriers on Soviet boats to Dairen from Shanghai and therefore regard visit by unarmed naval vessels not necessary.

In view this reply, believe we should keep this courier route going actively and assign to it selected trained Russian-speaking personnel (as Army guards) capable of exploiting intelligence possibilities.

Sent Dept 2751 ; Dept pass Shanghai 39, Dairen 21.

SMITH

121.67/11-2748 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, November 27, 1948—1 p. m.
[Received November 27—12 : 13 p. m.]

2763. Reference Dairen's 89, November 23, sent Department 220. Embassy not clear on exact type documentation desired and local Soviet office which would issue. Request instructions whether Embassy should request permit for travel by rail or road or both. In any event, Embassy sees little prospect favorable action here unless we at least able say arrangements for proposed trip already made with local Chinese authorities for journey to Mukden.

Sent Department 2762 [2763] ; Department pass Dairen 27.

SMITH

121.67/11-2248 : Telegram

The Acting Secretary of State to the Consul at Dairen (Paddock)

WASHINGTON, December 4, 1948—11 a. m.

80. Owing uncertainty re opening transportation Dairen Mukden (Dairen's 220 Nov 22 to Dept rptd Shanghai, Nanking 105, Moscow 89, Mukden 49) Dept is suspending plans for travel to Mukden of couriers now en route Dairen but desires establish courier service Mukden soonest. Dairen should decide in light developments

³¹ November 15, 7 p. m. p. 801.

whether retain any Mukden mail carried by present couriers keeping in mind fact no indication present time other route available.

Since establishment courier service Mukden-Dairen dependent first instance upon reopening communications Cons those cities should take initiative in endeavoring arrange travel calling upon Dept or Emb Moscow for such assistance as may be feasible. As soon as safe transportation available, Dept suggests Dairen endeavor have Gleysteen travel Mukden and return. Mukden likewise should follow transportation situation closely and arrange if possible travel staff member to Dairen and return. It is realized channel for applying Soviet pass may not be available Mukden. However it possible Soviets now have or will establish Consulate Mukden through which such request could be made.

TO 9-2238 Mukden and TO 9-2239 Dairen Dec 2 authorizes above travel principal officer or any subordinate American member staff Mukden and Dairen respectively. Expenses chargeable Sal and Exp FS 1949 allotment 9E-139442.

Dairen requested keep Dept informed developments re transportation to Mukden.

LOVETT

121.67/12-948 : Airgram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, December 9, 1948.

[Received December 29—12:46 p. m.]

A-1230. Re Embtel 2751, November 27. Subject Dairen couriers having arisen during general talk today, Embassy's Counselor³² informed Chief American Section Ministry of Foreign Affairs that while we regard despatch couriers via Vladivostok as less satisfactory to both Governments than use of unarmed naval vessels, we are prepared to continue former method, but would expect Soviet authorities, especially at Vladivostok, to facilitate travel our couriers. Ministry official promised to take measures to this effect.

SMITH

³² Foy D. Kohler.

121.67/12-1448 : Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, December 14, 1948—4 p. m.
[Received December 15—12:30 a. m.]

235. As *Gogol* due here December 16 from Vladivostok presumably couriers on it.

Moscow suggestion for trained Russian-speaking couriers seems excellent (Moscow telegram 2751, November 27, repeated Shanghai 29 [39?]). It certain trained persons can note much intelligence information of value each trip merely from observation.

Route [*Return*] trip Shanghai-Dairen averages 3 months. Consul has asked Shanghai (Contel to Shanghai 148, November 22 and 153, December 2) if it has requested Moscow Embassy apply visas for another pair couriers utilize next *Smolny* trip. As yet no reply. If Dairen must wait for each pair couriers return to Shanghai (whether Army or State) mail will be received at 3 months' intervals. On such basis it wrong consider Dairen as effective route to Mukden.

Presumably *Smolny* due back in Shanghai about now. It hoped nothing prevents another pair couriers sailing on it.

History servicing this post [is] one of few monthly runs and then breakdown for many months at slightest change. It feared if Communists menace or close Shanghai port, another long delay may ensue because *Smolny* may stop.

Due good luck servicing Dairen via Vladivostok from Shanghai, perhaps Department might consider, in its present over-all examination problem initiated by Moscow's telegram and of getting personnel replacements here (Nanking telegram 2361 to Department November 30³³), if not better service it from Moscow via trans-Siberia to Vladivostok. If Soviets dislike giving permit use that route, subject can be revived by using Navy LCI or chartered ship.

Repeated Moscow 101, Shanghai 162, Nanking 118, Mukden 61.

PADDOCK

³³ Not printed.

121.67/12-1748: Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, December 17, 1948.

[Received December 19—5:21 a. m.]

239. Couriers Koval and Bernhardt arrived today, probably leave for Vladivostok early next week.

Department pass Moscow 105, Shanghai 166.

PADDOCK

121.67/12-1448: Telegram

The Acting Secretary of State to the Consul at Dairen (Paddock)

WASHINGTON, December 24, 1948—1 p. m.

84. Urtels 233³⁴ and 235.³⁵ Not planned send couriers each *Smolny* trip. Once 3 months believed adequate. Gleysteen should not enter Communist Manchuria unless permission enter such territory and travel Mukden obtained either in Dairen or at border.

LOVETT

³⁴ Not printed.

³⁵ December 14, 4 p. m., p. 807.

POLICY RESPECTING RETENTION OF CONSULAR POSTS
IN AREAS OCCUPIED BY CHINESE COMMUNISTS;¹
EFFORTS TO RE-ESTABLISH COMMUNICATION WITH
THE CONSULATE GENERAL AT MUKDEN

125.288M/12-3147: Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, December 31, 1947—1 p. m.

1586. Current situation in Manchuria, as described Changchun's Tel 260 Dec 22² presumably rptd Emb, and particularly increasing difficulty and hazardous communications leads Dept seriously to question retention ConGen Changchun. Can this office be closed and personnel withdrawn without fanfare since Dept wishes to avoid adverse effect on ChiGovt's position Manchuria.

LOVETT

125.288M/1-548: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 5, 1948—noon.

[Received January 5—5:53 a. m.]

16. We consider that closing office at Changchun would have adverse effect on public morale, thus further weakening Government position Changchun-Kirin area. (ReDeptel 1586, December 31.) Siebens³ has expressed to Embassy his desire to remain Changchun even in the event it falls to Communists. We feel that he should be allowed to remain and in the event the city falls we would thereby have some indication of what the Communist attitude would be toward American Consular offices in other areas of China.

STUART

¹ For previous correspondence on this subject, see *Foreign Relations*, 1947, vol. VII, pp. 629 ff. For correspondence regarding the Consulate at Dairen, see *ante*, pp. 787 ff.

² Not printed.

³ Allen C. Siebens, Vice Consul at Changchun.

125.288M/1-548 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, January 9, 1948—5 p. m.

34. Siebens' desire remain Changchun (urtel 16 Jan 5) is appreciated but Dept wishes limit to one post experiment of leaving consular office functioning in city taken over by Communists. In view Siebens' lack linguistic qualifications and broad political background and greater importance Mukden it appears logical that Mukden be chosen as post to be retained. Accordingly Dept desires Emb reconsider matter this light with view determining whether Changchun cannot be closed in manner which will not prejudice position ChiGovt Manchuria.

MARSHALL

125.288M/1-1348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 13, 1948—5 p. m.

[Received January 14—5 p. m.]

85. We discussed informally at Foreign Office Department's desire withdraw Siebens [from] Changchun and close Consulate there (Dep-tel 34, January 9). Foreign Office says military have no plans to evacuate Changchun at moment but admit place is vulnerable. Accordingly Foreign Minister Wang⁴ raises no objection withdrawal Siebens but expresses hope it will be accomplished quietly.

In view of above and Department's strong feelings on subject, we plan close Consulate, Changchun, and withdraw Siebens, his staff, records and equipment within 10 days or 2 weeks. AAG⁵ plane departing January 14 for Changchun to evacuate Assistant Military Attaché and his effects. Siebens is being advised by letter to prepare himself for evacuation as above outlined and we will endeavor arrange AAG transportation Siebens. Incidentally this is further and glaring example of dire need for Embassy plane as outlined our 2357, December 9 and 21, January 5.⁶ Picard, American clerk, en route Changchun, is presently Nanking and will be held there pending Department's instructions. We can make full use of his services here in administrative section Embassy. Suggest Department may wish assign Siebens at least temporarily Peiping from which point he can continue observe situation Manchuria.

STUART

⁴ Wang Shih-chieh.⁵ Army Advisory Group.⁶ Neither printed.

125.288M/1-1948 : Telegram

The Vice Consul at Changchun (Siebens) to the Secretary of State

CHANGCHUN, January 19, 1948—9 a. m.

[Received 3:48 p. m.]

5. In accordance with Nanking's instruction dated January 10, I am this date informing senior civilian and military authorities at Changchun that this office will close in near future. I take this step with full understanding of Department's and Embassy's position, but nevertheless, with regret. As I have indicated to the Embassy, I would be willing without qualification to remain at this post with a skeleton staff, despite probable Communist occupation of Changchun, and feel that keeping this office open under these circumstances would be worth while.

I respectfully note that this post was opened under difficult circumstances and with considerable effort by Consul General Oliver Edmund Clubb and that it has afforded certain unique opportunities for observing developments in Manchuria.

Sent Department, repeated Nanking as 11.

SIEBENS

125.288M/1-2248 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, January 22, 1948.

104. Responding press inquiries based on Central News report Dept today made following available press:

"Following recent visit by FonServ inspector it been decided transfer small staff remaining Con Changchun to ConGen Mukden. Staff at present consists one non-career vice consul three Amer clerks. Communications to and from Changchun now so difficult as to affect usefulness of office. For some time staff has had no routine work relating to protection Amer citizens and interests since no non-official Amers remain Changchun. Staff Changchun was originally scheduled reopen our ConGen Harbin but because of obstacles raised by Chinese Communists they were unable proceed to that city. They were then instructed remain temporarily Changchun and open office there instead."

Dept considers response to any specific inquiries preferable to press release or statement.

Sent Nanking only for repetition as necessary.

LOVETT

893.00B/4-648

*The Consul General at Hong Kong (Hopper) to the Ambassador in China (Stuart)*⁷

HONG KONG, March 31, 1948.

SIR: I have the honor to enclose a memorandum⁸ prepared by Vice Consul R. M. Service on March 9, 1948, summarizing an interview of Consul Fulton Freeman and Mr. Service with Ch'iao Mu⁹ and his wife Kung P'eng. Mr. Freeman was in Hong Kong awaiting arrival of the vessel on which he and his family traveled to the United States.

It is regretted that submission of this memorandum which was prepared in rough draft on March 9, and which deals with only two subjects discussed during the interview, has been subjected to delay.

In summary, the memorandum reports that Ch'iao Mu attempted to differentiate between the Communist party line of opposing American policy in China and anti-Americanism. He said that the Communists respect the affection of the American people for the Chinese people, and that the present campaign is directed against American policy alone. In connection with the hypothetical question of the Communist attitude toward the continued existence of a consular establishment in a city captured by the Communist forces, Kung P'eng and Ch'iao Mu expressed their opinion that the Communists would not close down such an office, although they said that restrictions might be placed on the operations of a consulate, and that operations would necessarily have to be in accordance with an agreement between the Consulate and the local authorities. Kung P'eng and her husband were interested in a description of the communication facilities enjoyed by the American Embassy and Consulates in North China subsequent to the Japanese occupation of that section of China,¹⁰ and apparently had been unaware of the privileges of consular establishments in this regard.

Respectfully yours,

GEORGE D. HOPPER.

893.00B/4-648: Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, April 30, 1948—7 p. m.

652. Does Emb think reconsideration of question retaining consular offices in cities threatened by Communist occupation (particularly

⁷ Copy transmitted to the Department by the Ambassador in his covering despatch No. 164, April 6; received April 13.

⁸ Not printed.

⁹ Chinese Communist spokesman at Hong Kong; at Chungking during the war years.

¹⁰ 1937-1941.

Mukden) warranted in light possibility increased anti-US feeling arising from China aid program as reported Shanghai's tel. 933 Apr 27¹¹ and Communist attitude toward foreigners reported Mukden's tel. 198 Mar 30¹² to you?

Although Dept aware Communist attitude toward retention consular offices described in Hong Kong's memo Mar 9¹³ forwarded with Embdes 164 Apr 6¹⁴ may well differ from that of Communist leaders, it believes contents this memo would be of interest to Mukden and possibly other consular offices north China. If Emb has not already done so, it should communicate pertinent portions this memo to those offices.

MARSHALL

125.633/5-548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 5, 1948—2 p. m.

[Received May 6—12:20 p. m.]

812. Our original decision on advisability retaining Mukden consular office in face probable Communist occupation of that city was based on desirability of ascertaining if and how Consular office would function in Communist-controlled territory and also on belief that, while Consular office actually functioning in city occupied by Communists might be allowed to remain, chances of reopening office after Communist occupation would probably be slight (reference Deptel 562 [652], April 30.)

Advantages of having consular office able function in normal manner in Communist territory too apparent to require elaboration. Given scope of contacts between our Mukden and North China Consulates and local population even though normal consular functions highly limited Consulate would probably prove invaluable as observation post. Despite such indications as offered by various experiences non-official Americans and others with Communists [and?] conversations Hong Kong Consulate General with Communists on subject of Consulate offices and Communist anti-American propaganda line, we feel that no accurate prediction Communist attitude toward American Consulates in occupied cities is possible and that this attitude can be ascertained only through experiment.

In light these circumstances we feel that it is highly desirable that the experiment be made provided that it is feasible. Factors mitigating against feasibility are possible personal danger to consular

¹¹ *Ante*, p. 209.

¹² Not printed.

¹³ Not printed, but for summary see *supra*.

¹⁴ See footnote 7, p. 812.

staff during period actual occupation of city by Communists, possibility incarceration or limiting of freedom of movement of staff after occupation and possibility of expulsion of staff by Communists. All of these factors are imponderable in sense that no firm prediction their occurrence or non-occurrence is possible and they are essentially part the experiment. However, we feel that personal safety staff would depend mainly on battle conditions in occupation of city and that staff would most probably not be targets hostile acts of invading forces, particularly since invading forces could be apprised of presence of staff in city and warned their responsibility for staff's safety. Further point for consideration in connection decision have Consular staff remain in Communist-occupied area is character Communist regime. Among numerous possibilities in Manchuria and North China are fully independent government, either completely Communist or coalition in character. In such case value of Consular representation would be high and would form nucleus for development relations with new regime. Under these conditions we would probably, but not certainly, be faced with demand for permission to establish Consulates in US, but demand could be met as required by conditions then prevailing.

Another point for consideration is location of experiment. As we have reported, Communist strategic plans are, on basis present information, completely unpredictable. At present time it is by no means clear that Mukden will fall before North China cities, or even cities in Yangtze Valley, nor is it certain that it will be by-passed by Communists in favor southern drive. For planning purposes, these considerations incline us to belief that Mukden remains as good location for experiment as any other. However, once decision to conduct experiment is reached, plans should be made applicable to first city appearing likely to undergo Communist occupation, and question its application to other cities should be determined by results initial experiment so far as known, subject of course to limitations which would apply if sudden and general Government military collapse over wide area made evacuation Consular personnel impossible.

Also, if experiment made, it is our belief that personnel such Consular staffs as remain in Communist-occupied areas should be reduced below normal requirements for normal times. We have already recommended reduction Mukden staff which we feel should be implemented without further delay.

In final analysis we feel great desirability of ascertaining at earliest possible date character of relations which would obtain between Communist dominated areas and US overriding consideration which makes decision retain at least one Consular position Communist-occupied territory virtually imperative, and we so recommend. This recom-

mentation subject to alteration if subsequent developments indicate personal safety of staff would be unduly endangered.

Sent Department 812; repeated Mukden 83.

STUART

125.633/5-548 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, May 7, 1948—7 p. m.

697. As indicated Deptel 1581 Dec 29¹⁵ Dept considers question evacuation posts in cities threatened by Communist occupation matter for recommendation by officers on spot, in view their familiarity with local situation and possible developments. If Emb concurs consulate recommendation for evacuation, Ambassador has authorization order such evacuation in accordance with Reftel which stated *inter alia* "travel orders 8-5845, 8-5846 and 8-5847 dated Dec 29, 1947 authorize principal officer Nanking his discretion issue individual written orders to American and alien personnel, including families and effects, at posts under Emb supervision authorizing travel expenses to place or places safety in China". These travel orders can be issued cover evacuation families and effects even though officers or employees remain at posts.

Other questions raised Embtel 813 [812] May 5 will be made subject separate telegram.

MARSHALL

125.633/5-848 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, May 8, 1948—11 a. m.

[Received May 10—10:59 p. m.]

197. When considering Embtel May 5, Department 812, Mukden 83, suggest rereading Mukden despatch 49, December 24, copy which sent Department,¹⁶ regarding status Foreign Service establishments in Communist-held northeast, particularly argument therein against skeletonizing staff this office prior to turnover. Am still of opinion that morale, welfare and safety of staff remaining Mukden at time turnover will be in direct ratio to numerical strength of staff. Augmentation of staff instead of diminishment prior to turnover would be well advised or, in any event, turnover date, as appraised on present military and other factors Mukden, still too remote to permit other

¹⁵ *Foreign Relations*, 1947, vol. VII, p. 633.

¹⁶ Not printed.

than premature conjecture. Reduction of staff at this time would therefore not accomplish intended or fruitful purpose and would only impair reporting ability of office at time when information on developments this area needed by Embassy and Department in interpreting and appraising reports on trends and developments in intramural China. Entire American males staff from Mukden (with exception Cochran¹⁷) has elected remain Mukden should turnover take place during our assignment there. Such election was made subsequent my return from Washington with information that the office would "go behind Red Curtain" with full staff. It is hoped firm policy toward staff size at time turnover will be formulated and Mukden informed in case such policy differs from impression gained in Washington.

Sent Department 197; repeated Nanking 266.

WARD

893.00/5-848 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, May 8, 1948—1 p. m.

[Received May 9—3:01 a. m.]

198. ReDeptel 652 to Embassy dated April 30. Following excerpt from recent Communist radio broadcast concerning attitude Chinese Communist Party, Chinese Democratic Govt and the Chinese People's Liberation Army towards foreigners:

"Concerning foreigners in China, policy of Communist Party and army is require them obey laws of Communist Party and Communist army and refrain from offensive acts; so long as they behave this way, Communist Party and army will resolutely protect them. In case foreigners in China commit offensive acts, such as aiding Chiang Kai-shek's gangsters and foreign imperialists, opposing Chinese people, Chinese Communist Government and Communist army and if such acts substantiated, persons committing these acts will be tried by democratic govt which will return only decisions according to facts, and will pass sentence in accordance with magnitude of act, and will publicly announce reasons for judgment. Under no circumstances shall they be executed without trial."

Meaning of "aiding foreign imperialists" is matter of conjecture. However, in other broadcasts Ambassador Stuart is referred to as "spokesman for American imperialists" and "working for Chiang Kai-shek against Chinese people." From such statements as have been received from Communist sources, it is quite possible any representative of United States Government in Communist-held territory

¹⁷ John K. Cochran, Assistant Public Affairs Officer.

may be called upon in Communist court to defend self against charge of "aiding Chiang Kai-shek and foreign imperialists".

Repeated Nanking 267.

WARD

125.633/5-1148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 11, 1948—4 p. m.

[Received May 11—11:53 a. m.]

849. ReDeptel 697, May 7, 7 p. m., Embassy of course assuming that any action concerning evacuation from area threatened by Communist occupation would be taken in consultation with principal officers of areas concerned and only after securing their recommendations. Embassy is still, however, of the opinion that certain factors make it desirable that the final decision in case of necessity should rest with the Ambassador. To cite the example of Mukden, there are certain factors involved in that situation which are known to the Embassy but are not known to the Consulate General which he might not be in any position to appreciate or evaluate since they are concerned with the over-all situation.

Secondly, evacuation of one area might have to be tied in with evacuation from another area and the Embassy in [is] charged with the responsibility of coordination of these plans. No Consulate could be expected to have a realistic understanding of the factors involved in these over-all plans.

Thirdly, there is the question of personal considerations which might influence the judgment of the man on the spot, whereas the man in the Embassy would be in the position to look at the matter more dispassionately. In this connection, the Embassy would cite the unfortunate incident in Nanking in 1927¹⁸ when the wife of one officer refused to go which led other wives to take similar action with disastrous results.

In view of the above factors, Embassy again requests the Ambassador be given authority by the Department to order such evacuation as, in his discretion, he may deem desirable or necessary in the best interest of the US.

STUART

¹⁸ For accounts of attacks on foreigners at Nanking, see *Foreign Relations*, 1927, vol. II, pp. 146 ff.

125.633/5-548 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, May 20, 1948—6 p. m.

765. Additional instructions re evacuation officers and employees, their families and effects from posts in cities threatened by Com occupation being sent Emb via air pouch in Dept airgram A-107 May 19.¹⁹ These instructions are extension and amendment authority in Deptel 1581 Dec 29²⁰ and constitute reply to Embtels 813 [812] May 5 and 849 May 11.

Following is brief summary immediately important points airgram:

1. Evacuation: Authority extended Ambassador order or approve such evacuation. If principal officer at post decides upon partial or total evacuation, Ambassador should approve action as warranted by officer's knowledge local situation. If Ambassador decides partial or total evacuation necessary, principal officer at post shall accept action as warranted by Emb knowledge over-all situation.

2. Travel and transportation effects: Travel expenses evacuation US personnel, their families and effects shall be authorized or approved by Ambassador under travel orders listed Deptel 1581 Dec 29 and TO 8-10037 (Research and Intelligence Program) dated May 17, 1948 and may include travel and transportation expenses to place or places safety China, nearby country or US. Evacuation travel orders issued alien employees shall be limited to places safety within China.

3. Transportation effects and emergency storage: Cost transportation effects shall include packing, cartage and other expenses accordance regulations and may be authorized independently of travel officers and employees and their families. Ambassador may his discretion authorize storage costs effects at Govt expense under emergency conditions either at post assignment or place safety.

4. Special cost living allowances: Under provisions Sec 103.399 FSReg special cost living allowance at rates \$4 a day for one member and \$1 a day for each additional member family authorized to be paid any US officer or US employee whose family evacuated under orders issued pursuant authority Deptel 1581 Dec 29 as amended by this airgram. This allowance payable to officers and employees for remaining period their assignment to posts from which families evacuated and for period families' sojourn at successive points safety but not while families in travel status.

5. Other allowances: When families of officers or employees evacuated to points outside China, separation allowances authorized accordance Secs 103.330-103.342 FSReg. Special cost living allowance or separation allowance payable in addition to special post allowance payable to officer or employee accordance Secs 103.375-103.389 FSReg.

6. Allotments pay: As special cost living allowance payable only to officer or employee and not directly to family, appropriate action should be taken to make allotments pay to dependents from salaries.

¹⁹ Not printed.

²⁰ *Foreign Relations*, 1947, vol. VII, p. 633.

Pertinent portions foregoing should be repeated to consulates concerned. In repeating to Mukden inform Ward para no. 1 above on evacuation provides reply Mukden tel 195 May 7 to Dept.²¹

Full details re allotment numbers, forms and reports contained in airgram.

MARSHALL

125.633/5-2748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, May 27, 1948—11 a. m.

[Received May 27—9:45 a. m.]

958. Re Mukden's 266, May 18 [8] ²² and previous exchange of telegrams between Nanking, Mukden and Department on size of staff in Mukden in event of Communist occupation, Embassy while fully recognizing considerations which led ConGen Mukden belief that staff in Mukden should, if anything, be increased in event of Communist occupation, feels compelled to disagree. As we have often-times repeated, it is our conviction that US Government in any area where it has an established office must stand its ground in the event of Communist occupation. The entire position of American interests in China could well be seriously compromised should we at every point recede. It is fully realized that a certain element of physical risk is involved for those concerned and an even higher possibility of grave unpleasantness or even physical discomfort and it is our conviction that all possible should be done for such American personnel as remain in the event of Communist occupation.

There are, however, in our opinion, certain factors which counsel against the increase in staff as recommended by Mukden. The cold fact is that we simply do not know with any degree of assurance what the reaction of occupying Communist forces would be to the presence of American officials. We must, therefore, proceed on assumption there may be fairly considerable possibility of physical danger until it is proven to the contrary. On this assumption the risk of an incident which would precipitate unfortunate consequences for all concerned increases in direct ratio to the number of individuals concerned. Furthermore, since communications between Communist and National territory will most assuredly be extremely difficult, the problem of supporting those who remain also increases in direct ratio the numbers involved. It is therefore our considered opinion that the size of the staff should be conditioned by the volume of work possible. Our evidence at present suggests that the current

²¹ Vol. VIII, "Evacuation of Americans from China" (Ch. I).

²² Sent to the Department as telegram No. 197, p. 815.

staff is more [than?] adequate for the work [that?] can be done in Mukden today and since this volume of work would doubtless be reduced under the Communists, an even smaller staff under occupation would be adequate.

Embassy is fully cognizant of and sympathetic to problems of morale which are raised by ConGen Mukden. We are in full agreement that all possible should be done to maintain that morale. We would, at the same time, point out that service in Mukden is on a voluntary basis. We would also point out that there are many posts in Foreign Service today where living conditions are anything but ideal; and thirdly, we would point out that association with Foreign Service implies on part of those who enter it a readiness undergo certain hardships and certain disabilities which are not expected of other people. If we read current trend of world affairs correctly, Foreign Service officers and employees can, for a number of years to come, expect only hardship and discomfort in a number of areas of the world. We say this with all sympathetic understanding of problems with which Mukden may be confronted and with assurance we will, of course, do all within our power to be helpful. But we must state our opinion that in the interests not only of the US itself but also of individuals concerned the indicated course of action should be a gradual reduction in size of the Mukden staff to a number more commensurate with work possible to be accomplished under existing and anticipated conditions.

Sent Department, repeated Mukden 101.

STUART

125.633/5-2748 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, May 28, 1948—6 p. m.

806. When Ward was in Washington on consultation last Feb he obtained sympathetic consideration to his recommendation that the Consulate General at Mukden continue to function even after capture of that city by Communist forces, and that his staff be maintained at a level higher than the work of the office would justify in order that individual members of the staff might from time to time be dispatched out of the area with oral reports of conditions obtaining in Mukden at the time (Mukden's 197 May 8 to Dept repeated Nanking 266). However, this informal understanding was reached in anticipation of an all-out Communist attack on Mukden this spring. It now appears that such an attack may not eventuate for at least several months and for this reason as well as for reasons mentioned in Embtel 958 May 27 (repeated Mukden 101) it is believed that Dept would not be justified

in maintaining more than a normal staff complement at Mukden, especially in view of critical personnel shortages elsewhere.

Sent Nanking as S06, repeated Mukden as 99.

LOVETT

125.633/5-2848: Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, June 21, 1948—5 p. m.

903. From Butterworth²³ for Clark.²⁴ Ward Mukden has forwarded me copy his letter May 28 to you²⁵ re question retention staff in event Communist occupation that city. In view circumstances set forth Ward's letter we are inclined view sympathetically his recommendations. However, cuts in Dept's appropriations require reduction staffs in posts throughout world. Dept has, therefore, found it necessary reduce Mukden FSO complement to 2 and FSS complement to 7. Mukden being notified these changes in separate communication.²⁵

Please inform Ward foregoing and add that Dept sympathizes his position and difficulties and wishes assure him every desire to take all possible steps assist him this critical period. As indicated Deptel 5 Jan. 2,²⁵ it is assumed Emb has taken necessary action to send Mukden supplies requested by Ward against eventuality Communist occupation and cutting communications. [Butterworth.]

MARSHALL

893.00/8-1148: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 11, 1948—1 p. m.

[Received August 11—7:02 a. m.]

1483. Developments in Shantung province indicate likelihood Tsinan will fall to Communists in near future, thus making available to Communists ample strength to occupy Tsingtao should they decide on such move. Admiral Badger²⁶ has told us of his intention to evacuate dependents should Tsinan fall. Turner²⁷ has raised question of policy regarding maintaining Consulate should Tsingtao be threatened occupation by Communists.

Even though there would be few routine consular functions to be

²³ W. Walton Butterworth, Director of the Office of Far Eastern Affairs.

²⁴ Lewis Clark, Minister-Counselor of Embassy in China.

²⁵ Not printed.

²⁶ Vice Adm. Oscar C. Badger, Commander, U. S. Naval Forces, Western Pacific.

²⁷ William Taylor Turner, Consul General at Tsingtao.

performed in Tsingtao after Communist occupation, we have felt in Embassy that the first post to be overrun should be the guinea pig in an effort to ascertain reactions of Communists to maintenance American Consular establishment within territory under their jurisdiction. We are still of this opinion in respect to Tsingtao but would appreciate Department's instructions in order that Turner may take necessary preliminary measures against prolonged siege if decision is that he remain.

STUART

125.953/8-1848: Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, August 18, 1948—6 p. m.

1199. ReEmbtel 1483, August 11. Dept concurs in desirability maintaining Consulate Tsingtao in event city occupied by Communists. ConGen Tsingtao should be instructed institute preliminary measures against possible siege of city.

In event fall Tsinan to Communists and consequent evacuation Navy dependents from Tsingtao, Emb should authorize ConGen Tsingtao effect simultaneous evacuation Consulate women and dependents if in estimate individual officer or employee concerned such evacuation desirable. It should be clearly understood by ConGen that decision by individuals to refrain from evacuating dependents may conceivably entail unknown hardships and privations in event Communist occupation and possible physical injury particularly if Nationalist forces offer determined resistance. Possibility (though in Dept's opinion not probability) that occupying Communist forces might attack evacuating US Naval forces which would in turn be forced engage rear guard action resulting in increased Communist enmity toward Americans should also be considered by individuals concerned in arriving at decision.

In this connection it is possible that there may arise difference of opinion between Emb and officers in charge of posts where Communist occupation threatened re desirability evacuation dependents. In this event Emb should indicate clearly to officer in charge Emb's views in matter and basis for judgment. Dept believes, however, that in final instance question of evacuating dependents should be left to discretion officer or employee concerned and in no case should Emb insist on such action in contravention wishes individual officer or employee. Instructions contained para. numbered 1 Deptel 765, May 20, and para. numbered 1 Deptgram A-107, May 19,²⁸ hereby amended to conform this respect.

MARSHALL

²⁸ Latter not printed.

125.953/8-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, August 23, 1948—6 p. m.
[Received August 24—12:42 a. m.]

1556. Reference Department's 1199, August 18. Consulate General Tsingtao has been informed of Department's instruction concerning evacuation of that post. With reference to last paragraph of telegram under reference, Embassy is gravely concerned over change in its instructions from Department on question of who should have final authority to determine appropriate time for any given evacuation. Embassy set forth in its 1849 [849], May 11, its reasons for believing final authority should be vested with Ambassador in all cases. It still holds to those views and would again cite 1927 Nanking incident when refusal wife of officer in charge to evacuate led to disastrous consequences. There would also seem to be an inconsistency in granting final authority to Ambassador to order evacuation of all persons while at same time denying him authority to order evacuation of dependents. Embassy is not aware of reasons for this discrepancy but trusts that it does not reflect a lack of confidence in Embassy's judgment.

Embassy strongly recommends that Department reconsider its decision and urges that instructions contained in paragraph numbered 1, Deptel 765, May 20 and paragraph 1 Depgram A-107, May 19²⁹ be reaffirmed. Embassy convinced those instructions were soundly based.

STUART

124.936/9-1348 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, September 13, 1948—3 p. m.

1302. Reurtel 1556, August 23. Instructions contained final paragraph Deptel 1199, August 15 [18] not intended vitiate Amb's authority decide partial or total evacuation any given consular office. As Emb should be aware, Amb's authority does not extend ordering American citizens (other than Govt employees) evacuate any given city or area but only advising such evacuation. In case dependents officers employees Amb may issue travel orders which are authorizations for encumbering Govt funds. Notify Dept by TM any travel authorized. As in case other private citizens not Govt employ, de-

²⁹ Latter not printed; for summary, see telegram No. 765, May 20, 6 p. m., to the Ambassador in China, p. 818.

pendents can disregard warning evacuate and not compelled take advantage opportunity afforded. Decision dependents refrain from evacuating will not be reflected adversely Depts personnel records but persons who decide disregard warning should take step only with full knowledge possibilities inherent in situation after assuming full responsibility such action. Concerned consulates should be informed in above sense.

MARSHALL

125.0093/9-1648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, September 16, 1948—11 a. m.

[Received September 16—1:16 a. m.]

1702. Redeptel 1302, September 13, 3 p. m. Appropriate instructions have been issued to Consulates. Embassy is most appreciative of Department's explanation of action which was not clear to Embassy and of the reasons, therefore, of which it was not previously aware.

STUART

125.953/9-3048 : Airgram

The Consul General at Tsingtao (Turner) to the Secretary of State

TSINGTAO, September 30, 1948.

[Received October 11—9:30 a. m.]

A-43. The fall of Tsinan to the Communists on or about September 24th has rendered the position of Tsingtao exposed to attack by the Communists. There is now little to prevent their massing overwhelming forces in the eastern part of this province and attacking this ill-defended city at such time as their schedule requires.

The Embassy in Nanking has informed me that it is the Department's desire that this office be maintained even in the event of attack and capture of the city by the Communists. The Department will realize, of course, that this expectation by the Department involves no little risk to the welfare and safety of personnel at this office. We do not know what attitude the Chinese Communists will take towards American consular personnel, but we do know that at best a consular office within Communist territory would be almost completely isolated and could expect to encounter considerable hardships. For example all fuel for Tsingtao is now imported by sea. This supply would cease immediately if the city were captured, which would mean that all such utilities as power, lights and water would fail. There would also be serious problems with respect to foodstuffs and daily necessities.

In asking Foreign Service personnel to submit to the risks of going behind the iron curtain in the midst of a military campaign, it is assumed that the Department has also carefully considered the measures necessary to assist such personnel in maintaining their welfare, health and morale and is prepared to provide the necessary funds for that purpose. Aside from the considerable stock of food-stuffs, fuel and other supplies that would have to be provided, there should be sufficient extra personnel made available to maintain services and to assure the performance of official duties under extraordinary circumstances. I estimate that at least two assistants, preferably young unmarried men, would be needed to undertake "house-keeping" duties over and above the normal complement of this office.

It is probable that the Department has already on hand plans for similar contingencies at other posts, such as Mukden. It would be greatly appreciated if such plans and instructions could be supplied to this office as soon as possible. If considered desirable by the Department, this office will prepare an estimate of requirements and recommendations.

In the meantime it is advisable that an unmarried male clerk be sent to this office in replacement of the one female clerk, Miss Margaret Crowley, FSS-11, who should be transferred to some other post before the emergency becomes more immediate here.

TURNER

893.00/10-3148 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*³⁰

WASHINGTON, November 1, 1948—4 p. m.

1519. Re Mukden's 457 [456] Oct 31,³¹ rptd Nanking as 606. Emb authorized in its discretion approach Chinese authorities and ask whether CAF plans bomb Mukden. If reply negative inform Chinese you will so inform your Govt. If reply affirmative, Emb should point out sites Mukden where Americans located and express hope that any possible post-surrender bombing of Mukden be carefully limited to targets of military significance.

LOVETT

³⁰ Repeated as telegram No. 192, November 3, to the Consul General at Mukden.

³¹ *Ante*, p. 530. Mukden was occupied by Chinese Communist forces on November 1.

125.0093/11-248: Telegram

*The Acting Secretary of State to the Consul General at Mukden
(Ward)* ³²

WASHINGTON, November 2, 1948—4 p. m.

187. Owing to impossibility foreseeing conditions, Dept cannot provide specific instructions covering all contingencies which may arise in connection functioning consular offices in areas under Communist control and prefers in general rely upon discretion and sound judgment concerned consular officers. However following considerations should be kept in mind in establishing working relations with local Communist officials.

Continued functioning of consulates in area under control unrecognized authorities or dispatch of consular officers such areas does not itself imply recognition but in connection any course action it most important leave no doubt recognition by this Govt not implied and consul acting entirely in consular capacity.

Officer-in-charge may in his discretion choose suitable time to call upon appropriate local officials for purpose informing them he and his staff have remained in city in consular capacity only and for purpose of assisting and protecting American citizens and protecting American property.

Relations with local officials should be maintained insofar as possible on informal and personal basis. Social invitations of private nature from local officials may be accepted in discretion principal officer but acceptance should be in personal not official capacity. In general invitations to social functions of official nature should be filed without formal acknowledgement and such functions should not be attended.

Replacing visas on travel documents issued by unrecognized authorities Consuls should be guided by provisions Note 12 Visa Supplement A FonServRegs.

Dept desires be as helpful as possible in connection with operation consular offices in Communist controlled areas and would welcome questions and comments re various aspects this problem.

LOVETT

³² Sent also to Consular Officers at Peiping, Tientsin telegram, and Tsingtao as telegrams Nos. 201, 206, and 148, respectively; repeated to the Embassy in China as telegram No. 1525. In telegram No. 1605, November 12, 3 p. m., the Department instructed the Embassy to repeat this telegram to other Consulates when circumstances made it desirable (125.0093/11-1248).

125.6336/11-248: Telegram

The Acting Secretary of State to the Ambassador in China (Stuart) ³³

WASHINGTON, November 2, 1948—8 p. m.

1533. Dept concerned over many references appearing in press re use own radio facilities by ConGen, Mukden. Although Commies undoubtedly aware these facilities being used, Dept of opinion continued publicity reports emanating Mukden this channel may result in curtailment or discontinuance use Mukden's transmission facilities. Emb therefore instructed exercise extreme caution in making substance Mukden reports available to press and to avoid any reference to radio facilities employed.

This connection Emb and Consulates should avoid sending *en clair* messages to Mukden context of which might embarrass CG vis-à-vis local authorities. Peiping's tel to Mukden ³⁴ re custody CAT ³⁵ equipment case in point.

Emb may in its discretion wish call in American correspondents informing them for background info only situation radio communications with Mukden pointing out that any publicity given existence these facilities might jeopardize continuance operation. Correspondents might be informed same time that Emb will continue make available info re welfare Consulate personnel Mukden but that no indication re channel or source of info should be publicized.

Purpose of maintaining radio facilities with Mukden one of keeping Govt informed and not of serving as channel for news items. Dept cannot overemphasize necessity of avoiding Comm. charges of misuse these facilities thus compromising Ward's position Mukden in continuing transmit own messages.

LOVETT

893.00/11-348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 3, 1948—5 p. m.

[Received November 3—9:23 a. m.]

2083. We made representations Foreign Office yesterday evening and General Barr ³⁶ took similar action Minister National Defense ³⁷

³³ Repeated to Consular Officers at Mukden, Peiping, Tientsin, and Shanghai as telegrams Nos. 190, 205, 208, and 1852, respectively.

³⁴ Telegram No. 422, November 2, 5 p. m., not printed.

³⁵ Civil Air Transport.

³⁶ Maj. Gen. David G. Barr, Chief, Army Advisory Group (AAG) in China.

³⁷ Gen. Ho Ying-chin.

yesterday afternoon (Deptel 1519 November 1 and Mukden's 457 [456] October 31³⁸ repeated Nanking 606).

We have received assurances from Foreign Office that CAF has been specifically instructed to refrain from bombing foreign consular property Mukden. Minister National Defense told General Barr also that CAF had been instructed to avoid hitting foreign consulates. Barr replied CAF had already come uncomfortably near American Consulate and damaged some US property Mukden (see Mukden's 481 and 482 November 2 to Department³⁹ repeated Nanking 627 and 628). General Ho Ying-chin said he would repeat and re-emphasize his instructions CAF.

During this conversation General Barr told Minister if CAF really wanted to hit military targets such as large ammunition dump Mukden, it should visit there broad daylight and bomb from 1,000 to 1,500 feet rather than paying nocturnal visits and bombing from 20,000 feet in the black of night.

Department please pass Mukden.

STUART

123 Ward, Angus : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 4, 1948—11 a. m.

[Received November 4—4:55 a. m.]

501. Soldiers have just completed searching for arms my residence and other two houses in Seventh Day Adventist compound. Search orderly, but several hundred rowdies in street before gates evidently awaiting possible eviction from premises or other occurrence which would have given them opportunity to loot.

Norman visited Northeast Bank today for purpose making arrangements purchase new currency. Custodian in charge said no business being done and probably none would be until about week hence for reasons "number one" man to take over charge city Mukden not yet arrived.

Sent Nanking, repeated Department; Department pass Nanking as 640.

WARD

³⁸ For latter, see p. 530.

³⁹ Neither printed.

123 Ward, Angus : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 5, 1948—3 p. m.
[Received November 5—8:43 a. m.]

513. New mayor ⁴¹ summoned British and French Consuls and me for meeting his office 14 o'clock. When we arrived we found Soviet trade representative and his assistant already present.

Mayor stated he will cause soldiers be stationed at various consular offices and personnel residences to obviate molestation by lawless elements. He intimated soldiers should be billeted on premises, which I intend obviate if at all possible. He will issue identification cards for our American and alien personnel; will restore electricity and telephone service office and residences, and will issue identification pennants for our motor vehicles to prevent their seizure. He was unprepared give any information on mail service and whether letters originating USA will be delivered Mukden addressees. I mentioned it was customary for us have courier service but would discuss this matter another time, and he stated he would go into matter. In reply my query regarding telegraph service, he stated outgoing telegrams would be accepted and sent provided they are filed with his office for transmittal to telegraph office. He made no mention our radio station.

Trade representative and assistant remained behind when Consul departed. Interesting to note that trade representative who has moved about on foot for months now has shiny jeep.

Sent Department, repeated Nanking 650. Department pass Embassy from Mukden.

WARD

893.5151/11-948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 9, 1948—9 a. m.
[Received November 9—7:01 a. m.]

536. Mayor Mukden called yesterday. He entertains no early hope for negotiation Secretary State drafts because absence foreign trade and banking connections abroad needed handle negotiable instruments. (mytel yesterday.^{41a}) His interest in continued existence this office was deflected [*reflected*] in statement, when I remarked we shall henceforth be dependent upon our ability establish communication channel enabling us receive United States dollars from outside, that

⁴¹ Chu Chi-wen.

^{41a} Telegram No. 533, November 8, 1 p.m., not printed.

should we become short of funds at any time he would see that we do not go hungry.

He interposed no objection our courier service to Mukden and volunteered that once our couriers enter liberated area they will be accorded every facility necessary enable them execute their mission. In discussing divers routes courier travel (1) by rail through Soviet Union, (2) water to Dairen or some liberated port (Antung, Hulutao, et cetera) and rail thence to Mukden and (3) by air from Shanghai or Tsingtao, I stressed desirability air service. He emphasized inability render any assistance facilitating courier travel through and within Dairen and Soviet Union, where travel is subject to Soviet law and regulation, and stated that travel Dairen if feasible would probably be most convenient. He added that matter courier air service would have to be given further thought.

Mayor stated Mukden-Antung railway traffic was restored November 6.

In discussing American community, he remarked upon absence American businessmen, which I stated was result World War II and thereafter civil war which deprived Mukden of normal communication with sources supply and I added that I should be glad if Americans will be able to return to Manchuria for business or professional reasons. He hastened assure me Americans will be welcome and that he hopes American business will resume trade with Manchuria "on the basis of equality". He added outside world has goods needed in Manchuria and this area has products needed by outside. I confined my remarks to generalities for reasons (1) have no recollection any Department statement on our attitude toward American trade with Chinese Communists and (2) am informed Bureau of Commerce and Industry about to be established in municipal government and this bureau will be charged with establishing regulations governing domestic and foreign trade. One official of municipal government has informed Mukden manager British-American Tobacco Company that beyond imposition and collection of taxes and duties new regime will not interfere in domestic or foreign trade conducted by foreigners. This statement is too general, however, for it is apparent regulation and machinery must be set up for foreign exchange operations incidental foreign trade. Mayor seemed sincere in his stated desire early inauguration foreign trade by Americans.

Upon leaving I accompanied Mayor through offices, mentioning functions we perform or are prepared to perform, showing him USIS reading room and our commissary sales room, preferring he have first hand knowledge these institutions rather than distorted second hand, and am as yet without opinion whether Mayor is figure officer or only puppet and whether he functions on policy level or only operational.

He gives definite impression of desiring be friendly and helpful. His visit lasted over hour and a half.

Department pass Nanking 669.

WARD

125.6336/11-948 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 9, 1948—10 a. m.

[Received November 9—5:10 a. m.]

537. When Mayor visited USIS reading room yesterday, mytel 536 today, I took pains bring his attention to medical, engineering and other technical and professional books and expressed hope his people will be made aware our desire library be used by them. He and his accompanying interpreters expressed desire have access to library for own use.

Although I emphasized library devoted to American publications, he stated upon leaving he will lend some of "our" (Commie) literature for inclusion. Should such literature be forthcoming, and inasmuch popular use of library has almost ceased, I suggest we display Commie literature and make it available but keep library conspicuously and preponderantly American. Such Commie literature as may be furnished will undoubtedly be of kind generally available in Commie reading rooms and American publications will still be basic attraction to persons visiting USIS.

If we can assure continued existence USIS reading room by minority display Commie literature, we shall probably be better advised follow such course than insist on 100 percent American display and have our reading room placed out of bounds or formally closed. In our conversation preceding visit to USIS reading room, Mayor emphasized need for cultural, as well as material, cooperation between American and Chinese peoples, which may portend tolerant attitude toward USIS if we are conciliatory, thereby enabling Commies answer arguments possible ardent pro-Soviet elements opposed to continued existence USIS. I feel we may lose much more by refusing his offer than by accepting it. Should Mayor send Commie literature he may follow up by observing disposal [garble] of it, in view which shall appreciate early instructions regarding display and availability so that we may take prompt action upon delivery.

Please pass Nanking 670 and Shanghai for Connors⁴² 362.

WARD

⁴² W. Bradley Connors, Acting Director of USIS for China and Consul at Shanghai.

125.6336/11-1148: Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 11, 1948—7 p. m.

[Received November 11—7:07 a. m.]

2388. Re Mukden 537, November 9 to Department, repeated Nanking 670. Acting USIS China director firmly opposed accepting any Communist literature or other propaganda for USIS library and requests Department instruct Mukden not accept such material for display.

We must impress upon Communist officials USIS library contains only American books and publications providing insight American culture and thought for Chinese people. Library has never contained any material except of American origin and must continue on that basis alone.

Agree we must be conciliatory and moderate if necessary to keep USIS operating but we cannot compromise on our principles. Any surrender to Communists on such points as raised reftel would only lead to further "offers" of Communist propaganda on same basis and negate entire USIS effort. Much more important our course of action at Mukden will point way when other areas taken over. If we accept Communist propaganda at Mukden, we will be forced to accept it again and again not only at Mukden but wherever else Communists come to power in China.

I heartily concur above comments and recommend firm refusal permit Communist to use USIS.

Sent Department; pouched to Nanking as 1806; Department pass Mukden 139.

CABOT

121.67/11-1348: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 13, 1948—9 a. m.

[Received November 13—1:25 a. m.]

2198. Reur 669.^{42a} Since closing of Vladivostok Consulate we have been unable to get courier to Dairen; ⁴³ therefore, urge that arrangements for courier travel be not through Soviet controlled areas.

Sent Mukden 193, repeated Department.

STUART

^{42a} Same as telegram No. 536, November 9, 9 a. m., from the Consul General at Mukden, p. 829.

⁴³ For correspondence concerning Dairen, see pp. 787 ff.

125.6336/11-1348: Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 13, 1948—10 a. m.

[Received 8:28 p. m.]

564. Assume Department has copy Shanghai cirtel November 11⁴⁴ setting forth directives of China director on USIS operations in Communist areas, which parallels Shanghai telegram 2388 to Department, November 11, regarding possible display Communist literature in our USIS reading room raised in mytel 537, November 9. We shall follow scrupulously all instructions but I feel that when formulating policy on USIS activity in China we should bear constantly in mind that with coming of Communists the days of old China with foreign establishments enjoying special privilege have in large measure passed. Principles which we formerly adhered to strictly and implemented successfully will have to be modified or made flexible to meet new order. Should we prove unrealistic and inflexible, we ourselves may cause sterilization our USIS program by having USIS reading room placed out of bounds and USIS materials and services refused by press, army, schools and other centers use and dissemination. While we should struggle to maintain strictly American character USIS, I feel we would be ill-advised to adhere steadfastly to inelastic principle at possible ultimate cost closure USIS.

I support Connors in that we should encourage or seek nothing which may destroy or even impair American character USIS, and this office will exercise its utmost artfulness to obviate such destruction or impairment, but at same time, since USIS aims are material and political as well as cultural and educational, we should not be so *intransigent* in our methods incidental pursuit those aims as to preclude our use realistic means to achieve our goal, should such means become necessary to insure continued accessibility USIS to general public or perhaps continued existence USIS within Communist area. A foothold of a modified USIS program could give us possibility ultimate expansion and accomplishment our basic aims, whereas it is questionable that proscribed USIS could be reactivated without harmful delay if at all.

Attendance USIS reading room week ended last evening only 95, of which perhaps 80 percent by Red forces personnel, and among which were none our pre-November 1 users. We shall do utmost to keep this feeble candle glowing and nurture it into glowing light.

Sent Department; Department pass Nanking 688.

WARD

⁴⁴ See telegram No. 2162, November 11, from the Ambassador in China, p. 560.

811.20200(D)/11-1348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 13, 1948—10 a. m.

[Received November 14—2:15 a. m.]

2199. While we recognize the validity of arguments in Mukden's 537 to Department, repeated Nanking 670, November 9, 6 a. m., we believe there are compelling reasons counselling against display of Communist literature in USIS reading room Mukden. We are not aware of what the practice is in other Communist controlled areas and therefore are in no position to comment on that aspect. As far as particular case of Mukden, we believe permitting Communist literature to appear in reading room would simply be first step in process whereby Communists would gradually take over entire operation and find it necessary close operation. In our opinion it would be preferable to close it now before we find ourselves compromised.

It is our understanding, furthermore, that Congress appropriated money for USIS to present the American scene and American point of view to other peoples. This proposed action would not only put US in position of presenting foreign point of view, but also of presenting an ideology about which the American attitude has already been made abundantly clear throughout the world. Entirely apart from all other considerations, we could hardly view with any great pleasure public reaction should such action on our part be aired in halls of Congress. We already have a precedent established in Nationalist China where we have steadfastly refused to accept any Kmt literature on grounds that USIS is designed solely to present the American point of view.

Finally, we believe that to accept any Communist literature would put us in hopeless position of having to accept anything which was offered us and thereby compromise the entire principle on which USIS is based. We feel compelled, therefore, to recommend strongly that Mukden's proposal be disapproved.

Repeated Shanghai 1095 for Connors; Department pass Mukden 194.

STUART

893.76/11-1548 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 15, 1948—9 a. m.

[Received November 14—10:47 p. m.]

568. Proclamation No. 4 of Shenyang⁴⁶ Military Control Committee, dated today, states that pursuant instructions from Northeast

⁴⁶ Mukden.

People's Army Liberation Headquarters operation radio stations by Chinese or foreigners within liberated area is prohibited unless authorized by military authorities. Radio stations with all transmitting and receiving equipment are to be converted into custody above committee within 36 hours. Stations not reported, pursuant above proclamation, shall be subject confiscation and persons responsible for operation such stations shall be punished by law. Radio receiving sets exempted from provisions this proclamation.

I am seeking appointment with mayor for purpose clarifying status our station and shall, if obliged suspend transmission messages, endeavor obtain permission retain and operate receiving apparatus. Shall exert utmost effort have continued operation our station approved.

Department pass Nanking 689.

WARD

125.0093/11-1548 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 15, 1948—6 p. m.

[Received November 15—7:53 a. m.]

2219. ReDeptel to Mukden 187, November 1 [2] repeated Nanking 1525. In light of our experience in USSR during war and in Dairen and Eastern Europe after war, we cannot escape conclusion that Chinese Communists will attempt closure of USIS transmitters in those consular offices located in cities occupied by CCF.⁴⁷

We, therefore, recommend that such consular offices be instructed to protest most vigorously in event CCF tries to take such action, basing this protest on grounds that before transmitters can be closed it is incumbent on CCF to provide alternative and suitable means of sending messages to US Government. Our consular offices should also insist on right to use codes, in case CCF brings up that question, although grounds for this less tenable.

We also believe we should leave no stone unturned to reestablish courier service to these consular offices as soon as possible. The sooner and more energetically we in Nanking and our consular offices in Communist territory force this issue, the more likely we are to have ultimate success. It seems reasonable to suppose that Chinese Communists are themselves a little uncertain as to how to handle this matter and that if we allow them to persist long in what will presumably be their naturally negative attitude it will become progressively more difficult to get them to change their minds. In line with this we rec-

⁴⁷ Chinese Communist Forces.

commend Mukden Consulate General be instructed to give first priority in its local representations to reestablishment of courier service.

In general we believe that we should make it clear to Chinese Communists as soon as possible that our consular offices are prepared to deal with them only on a self-respecting and dignified basis and it is assumed that the customary rights and prerogatives of consular offices will be respected. In this connection, we believe we are very fortunate in having in Mukden and Peiping two Consuls General⁴⁸ with the invaluable experience of service in Vladivostok and that we can rely fully on their discretion and sound judgment for all measures to be taken in establishing informal relations with Chinese Communists on most advantageous basis.

STUART

125.0093/11-1548 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 15, 1948—2 p. m.

1618. Your 2219 Nov 15 re Mukden radio has been rptd Mukden⁴⁹ with following comment "Re first paragraph quoted transmitter not connected USIS but integral part consular establishment. Otherwise Dept concurs entirely views expressed quoted tel."

Emb should pass substance its 2219 and Dept's comment to other consulates Communist threatened areas.

LOVETT

125.6336/11-1648 : Telegram

The Consul General at Mukden (Ward) to the Secretary of State

MUKDEN, November 16, 1948—9 a. m.

[Received 9:15 a. m.]

582. Appointments made yesterday for this morning with Mayor and Director of Military Control Committee for purpose discussing continued existence our radio station have been cancelled and no new appointments set by them today "because press of business". If our station not seized this evening 10 o'clock upon expiry 36-hour period from receipt our copy proclamation No. 4, shall be inclined toward belief some hope exists for continued operation. Mytel 573 yesterday.⁵⁰

Department pass Nanking 695.

WARD

⁴⁸ Angus Ward and O. Edmund Clubb, respectively.

⁴⁹ Repeated as telegram No. 203.

⁵⁰ Not printed.

125.6336/11-1548 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 16, 1948—6 p. m.

1635. Following is Mukden's 573 November 15:

[Text of telegram No. 573 not printed.]

Dept suggests that in event Mukden transmitter closed procedure similar that now used in case messages for Dairen⁵¹ be set up for messages to Mukden, using if desired no signature and predetermined addressee identification. Dept believes experience China network handling similar traffic for Dairen and greater operational simplicity this procedure outweigh possible advantage having encrypted messages transmitted by US Army Tokyo. If Emb concurs it should inform Mukden of arrangements for continued transmission of messages addressed Mukden in event latter's transmitter closed.

LOVETT

125.6336/11-1848 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 18, 1948.

[Received November 18—4:40 a. m.]

2464. Following received from Mukden, 4 p. m., 18th:

"Mukden radio station now closing down and will not reopen as it is in process being seized. Inform Department, Embassy soonest. Ward."

Sent Department 2464; repeated Nanking 1863.

CABOT

125.6336/11-1848 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, November 18, 1948—5 p. m.

[Received November 18—5:13 a. m.]

2465. ReDeptel 1938 repeated Nanking 1635.⁵² Mukden radio transmitter seized today. Mukden notified monitor newscast frequencies and will follow same procedure as Dairen traffic.

Sent Department 2465; repeated Nanking 1864.

CABOT

⁵¹ See telegram No. 1137, September 17, 7 p. m., to the Ambassador in the Soviet Union, p. 791.

⁵² November 16, 6 p. m., above.

125.6336/11-2048 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai
(Cabot)* ⁵³

WASHINGTON, November 20, 1948—noon.

1987. UP despatch Nov 19 Shanghai reports "reliable sources" as stating US consular radio Mukden sealed by Comms. Despatch also states Ward and other Americans have not ventured outside compound but had not reported mistreatment of US citizens or other foreigners by Comms. Despatch continues "reliable sources" said final message came from Ward himself.

Dept does not consider any purpose served by publication info such as that described above, part of which incorrect. Deptel 1852 Nov 2 ⁵⁴ specifically directed exercise extreme caution in making substance Mukden reports available to press and avoidance any reference to radio facilities employed. ⁵⁵

In view UP despatch Dept is replying along following lines to inquiries this subject:

On Nov 15 local authorities Mukden issued proclamation stating operation radio stations by Chinese or foreigners prohibited unless authorized by mil authorities. Enforcement this regulation Nov 18 forced suspension operations small radio station with which ConGen had maintained contacts with our offices Shanghai and Nanking. Prior this action ConGen had reported attitude incoming troops and new civil officials toward Americans and other foreigners correct and members his staff had moved about in city.

LOVETT

125.6336/11-2148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 21, 1948.

[Received November 21—2:48 a. m.]

2271. Following is text Embassy's statement November 20, 1948:

"According to information received by the Embassy, the radio communication set in the American Consulate General in Mukden has been seized by the local authorities and transmission stopped. This communication set was used solely for official business of the US Government. It is the expectation of the Embassy that the American Con-

⁵³ Repeated as telegrams Nos. 1678 and 215 to the Ambassador in China and the Consul General at Mukden, respectively.

⁵⁴ Same as telegram No. 1533, November 2, to the Ambassador in China, p. 827.

⁵⁵ In telegram No. 2490, November 22, 5 p. m., the Consul General at Shanghai replied: "No Mukden reports made available Shanghai to United Press." (125-6336/11-2248).

sulate General in Mukden will make all efforts to secure permission from the *de facto* authorities for the reopening of the set which is essential under present circumstances for communications between the Consulate General and other agencies of the American Government.

"In this connection, it is recalled that during the Japanese occupation in Manchuria and North China, American Consular establishments were permitted to maintain communications facilities for official purposes."

STUART

893.00/11-2148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 21, 1948—9 a. m.

[Received November 21—2:01 a. m.]

2272. Statement contained in Embassy's telegram 2271 has been given to all press except United Press which jumped the gun, making it seem desirable to issue statement.

STUART

125.6336/11-1848 : Telegram

The Acting Secretary of State to the Consul General at Mukden (Ward)

WASHINGTON, November 22, 1948—noon.

216. Dept judges your unnumbered tel 4 p. m. 18th⁵⁸ Communists have seized and taken physical possession your radio transmitter and notes essential difference between ordering you cease use radio and outright seizure US Govt property. Dept takes serious view latter action and suggests unless you consider such action unwise you protest vigorously this or any other seizure US Govt property, keeping in mind Deptel 187 Nov 2.

LOVETT

125.6336/11-1348 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 23, 1948—1 p. m.

1683. Concur urtel 2199 Nov 13 and Shanghai 2388 Nov 11 pouched Nanking 1806 re Mukden proposal display Communist literature USIS library. Disapprove USIS libraries displaying other Govt's literature. Principle applies worldwide regardless Govts involved.

⁵⁸ See telegram No. 2464, November 18, from the Consul General at Shanghai, p. 837.

Assume Emb answering Mukden's 537 Nov 9 and 564 Nov 13 and transmitting Dept views indicated above and in Deptel 1630 Nov 16.⁵⁷

LOVETT

125.6336/11-2648: Telegram

The Consul General at Peiping (Clubb) to the Secretary of State

PEIPING, November 26, 1948—6 p. m.

[Received November 26—8:32 a. m.]

492. Information received orally by member this office from Chinese reporter just arrived Peiping from Mukden (which he left November 11) is to effect that Communist authorities Mukden have placed 6 soldiers on guard before American Consulate General and 2 at Consul General's residence with presumed purpose protection but actually for purpose observing their actions.

Same informant stated USIS library Mukden now closed, will reopen to public by December 1.

Sent Department 492, repeated Nanking 731, Shanghai 483.

CLUBB

121.67/11-3048: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 30, 1948—3 p. m.

[Received December 1—12:57 a. m.]

2373. [To Mukden:] Despite fact that courier service to Dairen has been reinitiated November 27 by departure from Shanghai to Vladivostok of two couriers on *Smolny*, we doubt whether this service can be extended to Mukden. Recent telegram from Dairen⁵⁸ pointed out there is no railway service from Dairen to Mukden. Highway travel would be dangerous and Soviets and CCP would doubtless cause difficulties in regard to documentation necessary to cross Kwantung border.

We therefore believe only really practicable courier route to Mukden will be by air from Tsingtao or similar point and therefore urge you to leave no stone unturned to obtain authorization from Mukden officials for this flight.

Sent Mukden 201, repeated Department, pouched Tsingtao.

STUART

⁵⁷ *Ante*, p. 573.

⁵⁸ Telegram No. 220, November 22, noon, p. 804.

125.6336/11-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 30, 1948—4 p. m.

[Received December 1—4:09 a. m.]

1275. We have heard nothing from Mukden since Communists closed transmitter but assume he has been attempting communicate with outside world. Since his efforts apparently fruitless, Department may wish to instruct either Moscow or Dairen to make an approach to Soviet authorities to ascertain his welfare.

STUART

125.6336/12-248 : Telegram

The Acting Secretary of State to the Consul General at Hong Kong (Hopper)

WASHINGTON, December 2, 1948—7 p. m.

365. Dept has had no word from ConGen Mukden since his plain language tel Nov 18⁵⁹ reporting radio transmitter in process "being seized". He had previously reported use Chinese or foreign radio transmitters would be permitted only by authorization Comm mil authorities and had also described his efforts obtain authorization continued use consular radio transmitter.

Have member your staff give gist foregoing orally Chi Comm representatives Hong Kong and endeavor ascertain whether Comm reps in position obtain info re Ward and staff Mukden and can arrange transmit message from Ward to you. He should point out to Comms false position they placed in by preventing Ward use consular radio without at same time providing facilities transmission his messages accordance with customary practice. In approaching Comms Hong Kong, he should give no indication action being taken on instructions from Dept.

LOVETT

125.6336/11-3048 : Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union (Smith)⁶⁰

WASHINGTON, December 2, 1948—2 p. m.

1358. No word rec'd from Mukden since closing ConGen radio station Nov 18. Suggest you attempt communicate using regular

⁵⁹ Sent as telegram No. 2464, p. 837.⁶⁰ Repeated to the Consular Officers at Dairen and Mukden and to the Embassy in China as telegrams Nos. 77, 1747, and 221, respectively.

Soviet mail and telegraph channels and in your discretion you request FonOff ascertain welfare ConGen staff Mukden through SovCon Harbin or Sov trade representative understood to be Mukden.

Dairen should make similar effort communicate through local mail and telegraph channels.

LOVETT

121.67/12-448 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 4, 1948—4 p. m.

[Received December 5—1:20 a. m.]

2417. [To Mukden:] We understand couriers now en route to Dairen via Vladivostok are carrying personal but no classified mail for you. In general, we doubt whether courier service to you via Vladivostok and Dairen will prove feasible due to probable delays and Soviet obstruction. We have learned that Soviet Foreign Office has rejected our proposal to send small unarmed US Navy courier vessel to Dairen on grounds that substitute Vladivostok route is satisfactory.

We therefore hope you will be successful in obtaining authorization for courier airplane flight to Mukden. (Embtel 201 to Mukden, repeated Department 2373, November 30). As alternative, suggest you explore possibilities US Navy unarmed LCI or other small vessel putting into Hulutao, Yingkow, or similar Communist occupied port.

Sent Mukden 203, repeated Department, Shanghai 1215.

STUART

125.6336/12-648 : Telegram

The Consul General at Hong Kong (Hopper) to the Secretary of State

HONG KONG, December 6, 1948.

[Received December 7—12:49 a. m.]

257. Communist Chiao Mu December 5 readily agreed highly desirable Mukden Consulate General maintain touch with Dept (re-Deptel 365, December 2, repeated Embassy 1764, Mukden 222) and recognized adverse publicity value present position and urgency for Communists to provide facilities if military authorities unwilling permit operation Consulate General radio. When he expressed doubt military authorities would permit handling coded messages without being shown true reading, Consular rights under international law were reviewed, and though apparently personally convinced, he said settlement this question would depend on Ward's negotiations with military authorities Mukden. Stressed he was without information

reason closure Consulate General transmitter and agreed Mukden not within fighting zone now.

Chiao Mu promised query [north] Shensi this matter immediately, but claimed 10 days required to get reply. Suggested we arrange with British here for contact between a local British transmitter and Mukden authorities for sending, receiving official telegrams all Consulates Mukden, asserting Communists here will do utmost obtain approval their authorities. Am taking no action this suggestion pending Department's instructions.

Appears most likely Communists here have efficient 2-way radio contact with their headquarters, although probably use transmitter outside colony.

Repeated Nanking 209.

HOPPER

125.6336/12-848

Memorandum of Telephone Conversation, by the Chief of the Division of Chinese Affairs (Sproule)

[WASHINGTON,] December 8, 1948.

Mr. Winckler ⁶¹ telephoned today to inform me of his Embassy's receipt of a telegram from the French Ambassador at Nanking ⁶² containing the following information in regard to Consul General Ward and his staff at Mukden:

On November 27 the French Ambassador at Nanking had received a message from the French Consul at Mukden, in which it was stated that after Consul General Ward had refused to surrender his radio transmitter to the local authorities all "U. S. citizens in Mukden were interned in their houses". In reply to my question, Mr. Winckler said that the internment was reported to have begun on November 20. Mr. Winckler said that he did not know how the French Ambassador at Nanking had received such a message from his Consul at Mukden.

The foregoing information was obtained pursuant to my suggestion to Mr. Daridan ⁶³ of the French Embassy that it would be helpful to know if the French Foreign Office had received any messages from its Consulate at Mukden.

⁶¹ Jean-Claude Winckler, Second Secretary of the French Embassy.

⁶² Jacques Meyrier.

⁶³ Jean Daridan, Counselor of the French Embassy.

125.6336/12-948: Telegram

The Consul at Dairen (Paddock) to the Secretary of State

DAIREN, December 9, 1948—noon.

[Received December 10—6 a. m.]

230. Postal officials assured letter mailed Ward Dec. 6 will be delivered but time uncertain (reDeptel 1358 to Moscow December 2). On December 7 same officials said they know of no telegraph facilities to Mukden.

I called December 8 on Soviet Consul General (all but telegrams of Consulate go via his office) to request he send Consulate plain language telegram to American Consul [at] Mukden direct or via Soviet Consulate, Harbin. He said such matter not his jurisdiction. Since he refused "make inquiries" it apparent he does not wish assist.

At present there seems no method to telegraph Mukden from Dairen.

Sent Department 230, Department pass Moscow 97, Mukden 57, Nanking 114.

PADDOCK

125.633/12-1048: Telegram

*The Acting Secretary of State to the Consul General at Hong Kong (Hopper)*⁶⁴

WASHINGTON, December 10, 1948.

381. French Emb Washington reports French Amb Nanking has received message from French Consul Mukden stating after Ward refused surrender radio all US citizens Mukden were interned their houses.

Suggest member your staff informally approach Communists Hong Kong expressing surprise and serious concern that AmCon staff Mukden should be so treated emphasizing Ward has complied orders Mukden authorities cease use radio but since radio USGovt property it not subject seizure. In discussing with Communists he should not mention above source but attribute report to traveller who was in Mukden and he should give no indication action being taken on instructions from Dept.

In connection penultimate paragraph unnumbered Hong Kong tel Dec 6 sent Dept via Nanking,⁶⁵ suggest Hong Kong informally and orally bring info attention appropriate British authorities who assumably would be interested exploring any feasible means establishing contact their ConGen Mukden.

⁶⁴ Repeated to the Ambassador in China as telegram No. 1805.

⁶⁵ Telegram No. 257, p. 842.

Suggest Nanking inquire French Emb whether other info available re Ward and staff.

LOVETT

125.6336/12-948 : Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union (Smith)

WASHINGTON, December 13, 1948—7 p. m.

1388. In your discretion pls use subject matter Dairen's 97, Dec 9,⁶⁶ as basis for request Sov FonOff for according of such facilities as would give us such a temporary means of communication with Con-Gen Mukden.

LOVETT

125.6336/12-1548 : Telegram

The Consul General at Hong Kong (Hopper) to the Secretary of State

HONG KONG, December 15, 1948—9 a. m.

[Received December 16—2:40 a. m.]

267. Instructions contained Deptel 381, December 10 (repeated Nanking 1805) followed in informal discussion with Commander [Communist?] Chiao Mu 14th. Commander expressed strong doubts veracity report impossible but readily agreeing lack communications with Mukden Consul General should not continue. Promised immediate query to Communist Headquarters reason absence contact and said no reply yet received to first query. Again suggested use of British radio here.

British authorities approached in accordance reference telegram admitted existence regular radio contact with Communist station at Shihchiachuang and exchange of messages limited to United Nations Childrens' Fund with all messages approved by Minister Social Affairs, Nanking. Presumably Chiao Mu had in mind use this channel which unknown to Consulate General. British promised telegraph to British Embassy, Nanking, and London asking attitude utilize present channel. Further info doubtless obtainable by Embassy Nanking.

Repeated Nanking 213.

HOPPER

⁶⁶ Sent to the Department as telegram No. 230, p. 844.

125.6336/12-1648 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*⁶⁷

NANKING, December 16, 1948—1 p. m.

[Received December 16—6:23 a. m.]

2536. With respect to failure of Chinese Communists to provide outward communications for our Consulate at Mukden, we would suggest that a strong blast from an official spokesman of Department might serve useful purpose in teaching Communists more correct international manners and in keeping before attention of American public this unjustifiable action of Chinese Communists.

STUART

125.633/12-1748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 17, 1948—3 p. m.

[Received December 19—6:55 a. m.]

2554. Re Deptel December 10 sent Hong Kong 381, repeated Nanking 1085 [1805]. French Ambassador, Nanking, states that French Embassy Washington must have received distorted message to effect that all US citizens in Mukden were interned their houses. All that local French Embassy received this subject from Mukden was general telegraphic report about November 20 predicting that police cordon would be placed around all foreign Consulates.

French Embassy has received no telegrams from French ConGen Mukden for at least 3 weeks and assumes ConGen has either had transmitter confiscated or fears to use it at this stage. Furthermore, French Ambassador states most confidentially that transmitter in Mukden is under control of French Intelligence Agency, that he has no authority over it, and that transmitter communicates directly with Saigon. However, he has promised to request authorities at Saigon to obtain information concerning status and welfare of our ConGen at Mukden. In addition, French have also inaugurated system of sending messages to Mukden and return by means of Chinese travelers from Tientsin. French Embassy claims one such traveller now en route to Mukden and has promised to inform us on return messages, if any, which he brings.

Both French and British Embassies Nanking have informed us that they are also attempting reestablish communications Mukden via

⁶⁷ Repeated by the Department to the Consul General at Hong Kong as telegram No. 394, December 17, 8 p. m., requesting comments regarding "effect such approach might have on inquiries made pursuant Deptels 365 Dec 2 and 381 Dec 10".

Chinese Communists Hong Kong but that they also have met with no success in this regard.

Sent Department 2554; repeated Mukden 205, Tientsin 241, Hong Kong 99, Shanghai 1286, Saigon 7.

STUART

125.6336/12-2048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 20, 1948—2 p. m.

[Received December 20—6:18 a. m.]

2580. French Ambassador advises that open mail communication Mukden via Moscow possible. Suggest Embassy Moscow [and] Consulate General Mukden seek communicate each other this means.

Sent Department, repeated Mukden 206, Moscow 89.

STUART

125.6336/12-2148 : Telegram

The Consul General at Hong Kong (Hopper) to the Secretary of State

HONG KONG, December 21, 1948—2 p. m.

[Received 8:20 p. m.]

274. Communist Chiao Mu today stated no word yet received his query Mukden Consul General communication facilities. Believe he is stalling, although he asserted matter highly important. Declined arrange interview for Service ⁶⁸ with Pan Han-nien, senior Communist political leader here, asserting Pan too busy.

ReDeptel 394, December 17,⁶⁹ believe Communists here unlikely produce solution Mukden problem, particularly as our approach not fortified as originating in Department or Embassy. Policy permits approach on behalf Department or Embassy, Communists probably would be inclined furnish us with some reply, but result unpredictable. If such approach authorized believe publicity now would prejudice success.

If publicity intended, suggest joint US, British, French publicity on failure Communists provide Mukden Consulate with communication facilities would promise better results than unilateral Washington statement, which unlikely impress or coerce Communists now in view Communists' tendency regard US as partner of Chiang in civil war.

HOPPER

⁶⁸ Richard M. Service, Vice Consul at Hong Kong.

⁶⁹ See footnote 67, p. 846.

125.6336/12-2248 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, December 22, 1948—11 a. m.

[Received December 22—8:45 a. m.]

2989. As telegraph and post offices report transmission telegrams and letters Mukden impossible, Embassy is trying to secure report and arrange communications through Foreign Office as suggested Deptel 1358, December 2.

Sent Department, repeated Dairen 31, Nanking 54.

SMITH

125.6336/12-2348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 23, 1948—5 p. m.

[Received December 24—9:28 a. m.]

2612. [To Mukden:] British Embassy Nanking yesterday telegraphed Governor General, Hong Kong, requesting him to transmit over special British facilities message to Communist radio station Shihchiachuang requesting Communists to transmit back to Hong Kong message from British ConGen Mukden regarding present welfare and status of American, French and British ConGens in Mukden. British Embassy expects that reply telegram from British ConGen Mukden will be plain language and will possibly be beginning of continuing exchange of telegrams until such time in future as CCP makes available normal telegraphic facilities to foreign consular offices in Mukden. Department will recall that Hong Kong telegram 267 to Department, repeated 213 Nanking, December 15, mentioned existence this radio contact with CCP for use in messages limited to business of UNCEF.⁷⁰

Action Mukden. Please inform your British and French colleagues of above and concert with them as complete and informative messages you believe circumstances will permit. British Embassy requests that this operation be considered strictly confidential.

Sent Mukden 207; repeated Department and Hong Kong 102.

STUART

⁷⁰ United Nations Children's Emergency Fund.

125.6336/12-1648 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, December 23, 1948—6 p. m.

1876. Urtel 2536 Dec 16. While Dept opinion unilateral statement US re Comms failure provide normal communication facilities Mukden would be of doubtful efficacy restoring communications, believes joint approach those Govts having consular establishments Mukden might have some effect. Emb therefore authorized your discretion discuss question informally Brit French Embs Nanking view possible release joint statement. Keep Dept informed and submit any agreed text Dept's review and approval.

LOVETT

125.6336/12-2848 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, December 28, 1948.

[Received December 28—6:48 a. m.]

501. Five dependents Mukden Chinese staff, now Tientsin, informed us they received messages from Mukden by hand traveler who left Mukden about December 7. Traveler reports American and Chinese staff well; they go office daily. Consulate General radio reported unharmed but guarded at all times by sentry. Sentries also guard office and residences.

Sent Nanking 730, repeated Department, Shanghai 676, Peiping, Tsingtao.

SMYTH

DISCUSSIONS RESPECTING POSSIBLE MOVE OF THE AMERICAN EMBASSY IN EVENT OF DEPARTURE OF THE CHINESE GOVERNMENT FROM NANKING

893.00/11-548 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

PARIS, November 5, 1948—5 p. m.
[Received 10:50 p. m.]

5746. For Acting Secretary: We were shown this morning telegram dated November 3 which Foreign Office had received from French Ambassador [in] Nanking¹ describing meeting with certain members of Diplomatic Corps there (including American Ambassador²) to discuss what should be done in event Chiang Kai-shek³ government withdraws from Nanking.

French Ambassador indicated likelihood that Chiang would leave for south or southwest with such forces as might remain loyal to him and Ambassador did not preclude possibility that Chiang would retire to Formosa.

French Ambassador expressed view that he should remain in Nanking and take up contact there with such interim regime as might serve as temporary stop-gap before Communists took over. He indicated further that no decision reached among diplomatic representatives present beyond general belief they should remain in capital as long as Chiang did so.

Foreign Office is telegraphing Nanking its tentative view that French Ambassador and staff should follow Chiang and remain with his government if it retreats to south or southwest, with added suggestion that one diplomatic secretary might be left in Nanking. Foreign Office is undecided as to what should be done in event Chiang moved to Formosa. It feels that as long as Chiang's government carries on fight in continental China it is proper to stay with him, but that if he should go to Formosa they regard it as tantamount to "throwing in the sponge". Foreign Office was particularly anxious to have Secretary Marshall's views on problem and indicated they had not yet instructed Bonnet⁴ to take matter up with Department.

¹ Jacques Meyrier.

² John Leighton Stuart.

³ Generalissimo Chiang Kai-shek, President of the Republic of China.

⁴ Henri Bonnet, French Ambassador in the United States.

Above brought to Secretary Marshall's attention who preferred that I handle matter directly with Foreign Office after referring it to Department for consideration and advice. Please instruct.

CAFFERY

893.00/11-548 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

WASHINGTON, November 6, 1948—1 p. m.

4327. French Emb has already taken up with Dept questions mentioned in ur 5746 Nov 5, 5 p. m. Dept did not give any definite answers in respect courses of action such contingencies. For ur info Dept has not yet received from Nanking its report discussion there but Emb has now been instructed supply account of meeting and its views.⁵

LOVETT

893.00/11-748 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 7, 1948—2 p. m.

[Received November 7—3:40 a. m.]

2128. Meeting under reference was informal, secret and called November 1 by French Ambassador in capacity Dean Diplomatic Corps (reDeptel 1558, November 6⁶). Present were French, Canadian, Belgian, Netherlands Ambassadors, British Chargé and myself accompanied by Merchant⁷ in absence Clark⁸ in Tsingtao. No conclusions or agreements were reached on any subject other than that, on call of French Ambassador, group might usefully re-assemble in time of possible future emergencies. Topics discussed included hardship imposed in operating under official rate of exchange, possibility future evacuation warnings other than that already issued by all present for North China and propriety Consuls dealing with local *de facto* authorities in areas no longer effectively controlled by National Government. Widely prevalent rumors move of Central Government to Canton or Taiwan were discussed but no agreement reached. Nor did thought apparently exist in mind of anyone present that purpose was other than informal exchange information and laying ground-

⁵ Telegram No. 1558, November 6, 1 p. m., to the Ambassador in China, not printed.

⁶ Not printed, but see *supra*.

⁷ Livingston T. Merchant, Counselor of Embassy in China.

⁸ Lewis Clark, Minister-Counselor of Embassy in China.

work for possible common consultation and action if emergency developed which made this clearly desirable.

During course of meeting I said little and on point of possible physical move confined myself Generalissimo's unalterable will to continue war, adding that if the Government to which we are accredited moved we would all, no doubt, move with him. I made clear, however, that my Government would have to make its decision under such an event in the light of conditions at the time and we then went into a somewhat aimless general discussion of the form which a new government might take, the conditions under which it might come into being and the real possibility that Generalissimo might seek to move the capital but be unable to carry with him anything in fact resembling a government.

On other major points discussed my views follow *seriatim*:

1. With respect to foreign exchange arrangements, I believe we should retain our independence of action and in view of stronger bargaining position not join in any general effort to seek a universally applicable diplomatic rate of exchange.

2. With respect to the issuance of evacuation warnings and the concerting of any emergency evacuation plans, I believe I should keep my principal colleagues informed. I am doing this and plan to continue.

3. It is common sense and I believe common practice under international law for Consuls to deal with local *de facto* authorities in pursuance of their protective activities and that such dealings if handled properly do not imply diplomatic recognition nor disloyalty to the government to which they are accredited.

4. I believe we should give our full support to the National Government as long as it continues the war against the Communists and is in effective control of substantial territory. If it effects a truce with the Communists or admits Communists into the Government, I believe we should immediately re-examine our position but not withdraw recognition in advance of such re-examination. I believe, however, we should suspend economic aid and military advice pending result policy decisions arising from such re-examination. If the Generalissimo or his constitutional successor decides to move the Government from Nanking and it is clear that he will take with him substantially intact his Cabinet and his chief military commanders, then I believe I should accompany him with my principal staff, leaving a Consular section at the Embassy. I may say that I consider it improbable that the Generalissimo or his legal successor could effectively move the Government. What is more likely and what poses the more difficult question is an attempt by the Generalissimo or even his constitutional successor to move the Government and to be successful only to the extent of carrying with him his personal entourage. Under this contingency it seemed to be the informal consensus of my colleagues in which I concur that if an attempt was made to move the capital which resembled more closely the personal flight of a few individuals than an effective transfer of the seat of the Government then the sensible thing in the absence

of contrary instructions from their own Governments was to remain in Nanking.

With regard to first sentence urtel, I recall no specific mention of southern tip Formosa. Taipei and Canton were only two likely points of transfer mentioned, according my recollection.

STUART

893.00/11-648 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, November 16, 1948—7 p. m.

1639. Reurtel 2128 Nov 7. As you state in final para urtel 2117 Nov 6,¹⁰ in event Gimo and/or his Govt leave Nanking, you should seek Dept instructions. In so doing you should inform Dept your views, particularly with respect to extent such Govt represents major factor in terms influence, following, and territory and forces under its control or to extent it consists simply of Gimo and personal entourage. If you are approached by Chi Govt or your diplomatic colleagues re this subject, you should say matter must be referred to Washington for decision, which would have to be made in light of developments and the then existing situation. You may confidentially inform chiefs foreign missions who discussed this question with you Nov 3 that you would expect inform them re US Govt decision prior taking any action pursuant final decision this Govt. Dept will give similar reply Brit, French and Canadian Embs which have already approached us this regard but will indicate that they will be informed prior to issuance any definite instructions to Emb Nanking.

LOVETT

893.00/11-1548 : Telegram

*The Acting Secretary of State to the Consul General at Taipei
(Krentz)*

WASHINGTON, November 16, 1948—7 p. m.

58. Apropos of your 81 Nov 15,¹¹ Dept has received unconfirmed reports indicating that Taipei is being thought of as possible point to which remove ChiGovt or at any rate to which substantial number of Govt personnel could repair. Have you seen any manifestations on spot of preparations to these ends? Has Governor Wei¹² given you any indication of his thinking or any independent planning on his part if for example the Govt moves to Canton and is subsequently

¹⁰ Ante. p. 543.

¹¹ Not printed.

¹² Wei Tao-ming.

engulfed? Dept does not intend that you should raise this matter with Governor Wei but merely seeks any info you may have and would welcome any suggestions you may have to offer.¹³

LOVETT

893.00/11-1948 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

Taipei, November 19, 1948—9 a. m.

[Received November 19—3:22 a. m.]

84. Reference A-47,¹⁴ regarding possible moves from Nanking, a high officer unconnected Whampoa clique forecasts Fukien on basis General Li Liang-yung, recently made Governor there, would be loyal to end.

If information regarding Navy transfer Taiwan correct, might indicate plan hold Taiwan in orbit of old Central Government while avoiding legal question *de facto* sovereignty here.

KRENTZ

893.01/11-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 29, 1948—2 p. m.

[Received November 29—7:04 a. m.]

2355. French Ambassador informs us in most strict confidence that Vice Foreign Minister George Yeh told him informally that he had been charged with arranging for transportation and accommodation of Diplomatic Corps when Government moves to new capital. He was either unaware or would not reveal place to which Government plans to remove. As this is first intimation of realization that Government may have to move, we are investigating and hope report further.

STUART

893.01/11-2948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 29, 1948—4 p. m.

[Received November 29—7:22 a. m.]

2356. Our best information confirms our 2355, November 29 that important branches Government will move Canton and certain less important organs to Chungking. No date for removal has been set.

STUART

¹³ The Consul General at Taipei replied in telegram No. 83, November 18 3 p. m.: "No signs preparations any kind." (893.00/11-1848)

¹⁴ Airgram No. A-47, November 8, from the Consul General at Taipei, not printed.

893.00/11-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 30, 1948—11 a. m.

[Received November 30—1 : 13 a. m.]

2363. Dean Diplomatic Corps, the French Ambassador, called another meeting yesterday of small group (Embtel 2128, November 7) to discuss rumored intention Government move elsewhere. It was the consensus that if move should develop it would represent effort Government raise international issue and increase prospects continued aid from US despite lack of support in country. British Ambassador¹⁵ stated that he and Commonwealth colleagues would in such event plan send Chinese Counselor only along with Government. There was general agreement with this except that I stated categorically that my instructions required assessing the situation at time and requesting directions from Washington. French Ambassador stated that if approached by Foreign Minister with request he notify Diplomatic Corps of move, he would express his doubt that his colleagues would do so.

We shall continue to be guided by Deptel 1639, November 16 in this regard.

STUART

893.00/11-3048 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, November 30, 1948—noon.

[Received November 30—3 : 10 a. m.]

2364. Should Government move to Canton or elsewhere, I am convinced move will represent effort Generalissimo to give space for time in desperate anticipation increased American military aid. Should he move, it is likely that, motivated almost solely by traditional Chinese official loyalty, those surrounding him who owe him so much will accompany him.

We believe our purposes would be facilitated if in this connection we could be informed of the results of Mme. Chiang's¹⁶ conversations in order that we may pass on, in our discretion, in undiluted form to the ranking officials of the Government and possibly to the Generalissimo, US official reaction to Madame's pleas.¹⁷

STUART

¹⁵ Sir Ralph Stevenson.¹⁶ Wife of Generalissimo Chiang Kai-shek.¹⁷ See telegram No. 1812, December 13, 3 p. m., to the Ambassador in China, vol. VIII, "U.S. Military Assistance to China" (Ch. VII).

893.01/12-148 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 1, 1948—noon.

[Received December 1—6:42 a. m.]

2379. Controlled American source has been informed by usually reliable Chinese official, member of Legislative Yuan, that decision was reached by certain Cabinet ministers and certain other Kmt party leaders on November 28 that Government would move from Nanking to Canton and Chungking and concurrence of Generalissimo this decision was requested. As submitted to Generalissimo, plan includes movement of Executive, Control and Legislative Yuan and President's office to Canton, and Examination Yuan to Chungking. No detailed plan was made for movement any except heads of Ministries and certain key staff members. Generalissimo believed to have concurred in principle and given tacit consent. Ministries are taking individual action implement plan and are directing staff members leave Nanking soonest possible. In many cases no funds are being furnished for move. Legislative Yuan members instructed to Canton are told no funds are available for trip and no accommodations at destination. Minor officials are resentful this procedure and bitterly condemn Government's inefficiency and lack concern for their welfare.

Above information is generally corroborated by American correspondents. From these and similar indications it appears likely that Government will move without its essential administrative apparatus in terms of bulk its administrative personnel. Main source of Government's power in its new location will consist of personal prestige and authority those ranking officials making move but these will be diminished by fact of Government's flight. Also, its military and economic resources will be sharply reduced below present levels.

It is difficult foresee how transplanted Government will have capability perform its essential functions and exercise effective centralized control over that part of country not yet in Communist hands. In this situation likelihood exists that provincial administrations west, southwest, and south China will now develop considerable degree autonomy. Their continued attachment Central Government will be subjected to considerable strain if Communists threaten them with military occupation or form rival government to which provincial authorities could conceivably adhere. Such compulsions will be difficult resist in face prospective comparative impotence of present National Government. It is difficult to see how present Government can develop resources which could attract organized support, and so be assured of any degree of permanence as a political entity with authority to make and implement policies on any considerable scale.

STUART

893.01/12-348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 3, 1948—4 p. m.

[Received December 4—8:36 a. m.]

2409. ReDeptel 1731, November 30, 8 p. m.¹⁸ On November 29 Vice Minister Foreign Affairs advised Dean of Diplomatic Corps he had been charged with arranging transportation and accommodations for Corps when capital moved to new city. We subsequently learned that approved Government plan calls for moving Executive, Legislative, Judicial and Control Yuans to Canton and Examination Yuan, plus sections of other Yuans in certain other Government bureaus to Chungking. Probably the Ministry of National Defense goes to Nanchang with Air Force and Navy moving to Taiwan. Very considerable exodus from Nanking has already taken place and is continuing.

Generalissimo has, however, been persuaded that to make any public announcement now of this move would cause a panic, but that if move is to take place at all it must be now. It was decided, therefore, that move would continue as projected though there will be public denial of it and certain key figures in Government will remain here until last moment to lend credibility to public announcements. Apparently Government also does not believe it will be able to move entire Government and will therefore abandon bottom third or half of most Government officers to shift for themselves. Considerable bitterness is being generated among many Government workers because they are told to evacuate as best they can but are not given any funds or other assistance.

Embassy would appreciate being currently informed on developments in your area arising from above decisions.

Sent circular Chungking, Kunming, Canton, Hong Kong, Taipei; repeated Department 2409.

STUART

701.0093/12-348 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 3, 1948—6 p. m.

[Received December 4—6:00 a. m.]

2410. Dean Diplomatic Corps called full meeting December 2 to report Foreign Office statement that, although Government would remain Nanking, it would provide transportation to Canton and lodging in Yi-chun hotel gratis to diplomatic dependents and mem-

¹⁸ Not printed.

bers of staff unwilling remain Nanking under threatening conditions. Protocol Department Foreign Office would accept requests from individual missions.

We know from our own sources that Government has been vacillating on subject removal elsewhere and that, in spite of present announced intention remain Nanking, individual organs of Government are, with tacit approval Generalissimo, planning removal elsewhere, but principally to Canton. The Generalissimo has told us of his firm intention to fight Communists on Huai River, then at Nanking, and if necessary from Canton or elsewhere in China unto death. This, in spite of fact that he has lost support vast majority Chinese people and retains loyalty leading officials surrounding him largely on basis personal relationships and habit of following Generalissimo's lead.

Thus, with unorganized and attempted secret plans for removal, we can expect most hurried and disorderly abandonment of Nanking by Government when serious actual military threat to security city has developed. Under these conditions our present anticipation is that Government will leave in manner which will make it impossible for Diplomatic Corps, with the best of good will, to follow it immediately. Chinese Government has no grasp of the magnitude of the task of moving the diplomatic body and is not taking adequate measures. British Commonwealth Missions appear already to have taken position that they will remain in Nanking, sending representatives with Government wherever it may go and there would in fact be advantages in retaining Chief of Mission in Nanking until situation clarifies.

Accordingly, if situation develops as we anticipate, it may be found desirable when Government flees in disorder to designate Consul General Ludden in Canton as concurrently First Secretary of Embassy to maintain contact with Government should it flee there. Transportation and time permitting, we could strengthen his staff from Nanking. There is already an Assistant Military and Assistant Naval Attaché there and, if, as we envisage, it would be necessary about that time to fly our Air Attaché and Naval Attaché planes away from Nanking, it might be possible to send others to Canton.

At this stage, however, we are inclined to believe developments will be such as to warrant our recommendation to Department that Ambassador and his principal advisors remain Nanking.

Realizing that definite decision cannot be taken until actual event, we would appreciate Department's preliminary reaction this suggestion.

Sent Department, pouched Chungking, Kunming, Canton, Hong Kong, Taipei.

STUART

893.01/12-648 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 6, 1948—6 p. m.
[Received December 7—12:20 a. m.]

2434. In welter of rumors regarding plans removal Government, we inquired of Vice Foreign Minister Liu what actual situation might be. He assured us that it was Government's firm intention remain Nanking with no plans being made for evacuation elsewhere but that under Cabinet decision few days ago dependents of Government employees would be evacuated at Government expense to elsewhere in China of their choice beginning December 10. This movement will not require commandeering of all transport facilities but will result in additional burden which Government will seek to overcome without too great disruption normal traffic.

STUART

701.0093/12-348 : Telegram

The Acting Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, December 7, 1948—6 p. m.

1777. As indicated Deptel 1639 Nov 16, we fully agree with view urtel 2410 Dec 3 definite decision cannot be made until Gimo and/or his Govt actually evacuate Nanking. In light urtels 2379 Dec 1 and 2410 Dec 3, Depts preliminary reaction, requested by you, is that Ambassador and major portion staff should remain Nanking, at least until situation clarifies. We believe desirable, however, that Min-Counselor, together with junior officer and necessary stenographic assistants, should be prepared to proceed to new location principal Govt organs, presumably Canton, when Govt evacuates.

LOVETT

123 Clark, Lewis : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 9, 1948—11 a. m.
[Received December 9—7:34 a. m.]

2467. I am perturbed at thought that Clark will not remain with me in Nanking in event Generalissimo moves Canton or elsewhere (Deptel 1777, December 7). By every test Generalissimo has lost his leadership and has no backing either within Government or from the people either in the Kmt or outside. Any government he might establish in Canton would have only restricted authority and, in fact,

little vestige of its previous power even though it would have legitimacy. In Nanking we could anticipate meeting new and crucial issues for which I need best possible consensus and would miss Clark upon whose counsel I have come to rely.

If Department feels that designation Ludden as First Secretary would afford inadequate representation, may I suggest possibility sending Political Counselor Jones with requisite staff. Jones could give broad political background and experience while Ludden could supply specialized China knowledge. I should appreciate Department's reconsideration this matter, realizing of course that actual decision cannot be taken until we are confronted with problem.¹⁹

STUART

893.00/12-948 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, December 9, 1948—11 a. m.

[Received December 9—8:57 a. m.]

2468. For Butterworth from Clark. Although I agree with Ambassador's political summation, Embassy's telegram 2467, December 9, thoughts expressed therein are his own. If Department needs time to consider situation when Government moves or if there is thought that we will support Generalissimo in his plans to give "space for time", I can see many reasons why my presence in Canton would be useful. In such case, however, I should think the Ambassador's presence would also be desirable. I shall, of course, conform with Department's wishes and am already packing, although I am inclined to believe Ambassador's request should be complied with. Should appreciate early reply his telegram. [Clark.]

STUART

¹⁹ The Acting Secretary of State, in telegram No. 1799, December 10, 1 p. m., to the Ambassador in China, stated: "Recommendations contained urtel 2467 Dec 9 will be given every consideration in light of situation and circumstances as reported by you at time move has to be made."

INDEX

INDEX

- Abassof, Mr., 749
 Abernathy, John, 181
 Afghanistan, 729-730, 733
 Agha Khan, 733
 Ahern, Mr., 763
 All China Labor Congress, Sixth, 459
 All Chinese Federation of Labor, 459
 Alsop, Joseph, 561*n*
 Alsop, Stewart, 561*n*
 American Volunteer Group (Flying Tigers), proposals regarding formation of, 577, 603, 606
 Anti-American attitudes in China (*see also under* Chinese Communists), 48-51, 54, 68-70, 72-73, 75, 146, 159, 164, 166-167, 209-211, 224, 260-262, 266-268, 271, 275-276, 278-280, 292, 296-297, 301, 310-311, 328-330, 398, 441, 494, 510, 518, 526, 557, 562, 596, 600-601, 675, 710, 813
 Anti-British demonstrations in Canton (Shameen incident) and Shanghai, 46-50, 52-54, 63, 69, 74-75; U.S. attitude toward, 53-54, 66-68
 Anti-Communist measures by the Chinese Government, 421-422, 426-430
 Anti-foreign and anti-government demonstrations in Shanghai, 48-51, 268-269
 Army Advisory Group (U.S.), 19, 129, 179, 283, 289, 333, 352, 422, 424, 448, 480, 530, 600, 615, 657, 709, 738, 743-745, 748, 810
 Arrests of Communist agents in Shanghai, 165-166, 168
 Arrests of students in Peiping, Tsientsin, and Shanghai, 420-421, 425-426, 430, 440-441
 Attlee, Clement R., 280*n*
 Badger, Vice Adm. Oscar C., 282-283, 299-300, 330, 381, 471, 599, 821
 Baldwin, Hanson, 561
 Barr, Maj. Gen. David G., 85-86, 129, 163-164, 184, 238, 283, 289, 291, 298-300, 330, 338, 422, 424, 448, 471, 480, 514, 610, 827-828
 Barrett, Col. David D., 339
 Barrett, Mary E., 59-61
 Bau, Joshua Mingchien, 336
 Bean, Ruth, 195-196
 Belgium, 245
 Beneš, Eduard, 123
 Benninghoff, H. Merrell, 781-783, 797
 Berlin blockade, 353, 684
 Bernhardt, Matthias R., 797, 801-803, 808
 Berry, Maj. Kearie, 742
 Blücher, Marshal (Vasily Konstantinovich Blyukhu), 417*n*
 Bohlen, Charles E., 561
 Bonnet, Henri, 850
 Borodin, Mikhail Markovich, 417
 Boucher, Hiram A., 46-48, 52-53, 82*n*
 Boxer uprising, 67
 Bradley, Gen. Omar N., 516
 Breakup of China into regional units, considerations regarding possibility of, 407-409, 433, 435-438, 507-508, 535-536; questions concerning U.S. policy toward, 408-410, 508, 612
 Bridges, Styles, 570
 Bryan, Jack H., 239, 330
 Bullitt, William C., 62, 237-238, 339, 475-476, 570, 605, 626
 Bureau of the Budget (U.S.), 362
 Burhan (Pao Erh-han), 752
 Burke, Gordon L., 80-83, 136-137
 Butterworth, W. Walton: Anti-American feelings in China, 72; anti-Chinese sentiments, Bullitt charges regarding, 237-238; Bullitt comments on Marshall Mission to China, 475-477; Chen Li-fu, conversation with and memorandum to Secretary Marshall, 362-363, 369-370; Chinese Communist factions, 212; Chinese Communist objectives, 29; inauguration of President and Vice President of China, 232, 240; Li Chi-shen, appraisal of, 267-268; military aid and assistance to China, 178; military situation in Manchuria, 65; Nanking, possible move of Chinese Government from, 860; political situation in China, 10, 131, 161, 216, 294, 331, 379-381, 432, 552, 576, 628-629; Soviet aid to Chinese Communists, question of, 590; Soviet mediation in China, possibility of, 145; Sun Fo, appraisal of, 633-634; Taiwan, situation regarding, 601; Tibet, U.S. recognition of Chinese sovereignty over, 765; Tibetan Trade Mission, 362, 762-763, 768, 775, 779, 781; United Nations, possible referral of China question to, 582; U.S. consular posts in Chinese Communist areas, policy regarding retention of, 821; U.S. policy toward China, 151, 381, 707

- Cabot, John M.: Anti-American feelings in China, 68-70, 209-211, 224, 260-262, 266-267; anti-foreign and anti-government demonstrations in Shanghai, 48-51, 268-269; anti-military conscription campaign, 166-167, 169; arrests of Communist agents in Shanghai, 165-166, 168; arrests of students in Shanghai, 441; Chiang Kai-shek, question regarding retirement of, 687-688; Chinese Communist attitude toward missionaries, 418; Chinese Communist literature for U.S.I.S. library in Mukden, question of, 832; Chinese Communist policies, 660-661; Civil Air Transport (CAT) operations by American pilots, 97; civil unrest in Shanghai, 358-360; Dairen, question regarding communications with U.S. consulate at, 797-798, 802; Kuomintang, future status of, 237; military situation in China, 640, 653; Mukden, seizure by Chinese Communists of radio transmitter at U.S. Consulate General in, 837-838; political situation in China, 55-56, 73-75, 121, 181-182, 209-211, 224-225, 229-230, 567-569, 637, 646-647; political situation in Fukien province, 263-264; political situation in Shanghai, 91-93, 531-532; Sino-Soviet air agreement (1939), 747; Soviet espionage activities in China, 670-672; Soviet-owned Chinese daily in Shanghai, suspension of, 272; student unrest and demonstrations, 64-65, 72-73, 224, 271-272, 275; Taiwanese independence movement, 585; U.S. aid program, 214; U.S.I.S. program in China, 31-34; U.S. policy toward China, 149-150, 610-611, 707-718
- Caffery, Jefferson, 511, 561, 588-589, 850-851
- Cairo Declaration, *Dec. 1, 1943*, 293, 602, 662
- Canada, 245
- Carter, Brig. Gen. Marshall S., 131, 173*n*
- CC clique. *See under* Kuomintang.
- Central Air Transportation Corporation (CATC), operations of, 35, 37, 246
- Chang, Carsun (Chang Chun-mai), 25, 193, 208, 229-230, 325-326, 567-569, 646-647, 654, 687-688, 690, 704, 719
- Chang Chia-ngau. *See* Chang Kai-ngau.
- Chang Chih-chung, Gen., 21, 39, 101, 112, 117, 241, 462, 496, 498, 559, 564-565, 608, 637, 654, 666, 673, 678, 689-690, 698, 706, 722, 731-732, 735, 742, 749-754
- Chang Chun, Gen.: Anti-American feelings in China, 72; Chiang Kai-shek, political position and possible retirement of, 651-652, 666, 688-690, 706; Chinese Communist list of war criminals, inclusion of, 719; military situation in China, 11; Minister of Foreign Affairs, proposed appointment, 608; Minister without portfolio, appointment, 673, 678; peace negotiations with Chinese Communists, 698; political leader in Southwestern provinces of China, potential emergence as, 349; President of Executive Yuan, 176, 192-193, 196-197, 225-226, 231, 242, 247, 251, 255, 563; special mission in China, 406-407, 413-414, 425, 438-439; special mission to Japan, 414, 439; Ten Point program, 193, 226, 616
- Chang Chun-mai. *See* Chang, Carsun.
- Chang, Fa-kuei, Marshal, 176, 205, 365, 568, 642
- Chang Hsueh-liang, 116, 201, 401, 413, 437, 531
- Chang Hsueh-shih, 201, 412-413
- Chang Kia-ngau (Chang Chia-ngau), 181-182, 241, 256
- Chang Lan, 303, 352
- Chang Li-sheng, 227, 269, 314, 505, 597*n*, 678, 719
- Chang Ling-juo, 646-647
- Chang Po-chun, 490-491, 631
- Chang Tso-hsiang, 99, 106, 116
- Chang Tso-lin, 99*n*, 116*n*, 201, 437*n*
- Chang Tung-sun, 411
- Chao Chang-yen, 466
- Chao Chieh-fu, 556
- Chaotung University, 85
- Chaoyang University, 420
- Chase, Augustus S., 263-264
- Cheloo University, 276
- Chen, C. C., 121
- Chen, C. H., 112
- Chen, Sir Chak. *See* Tai Kwei-sheng.
- Chen, K. P. (Chen Kwau-pu), 121
- Chen, Percy, 630-631
- Chen Chang-chieh, Lt. Gen., 419, 673*n*
- Chen Cheng (Ch'en Ch'eng), Gen., 2-3, 27, 35-36, 59, 94, 98, 103, 105, 129, 167, 175-176, 231, 340, 719
- Chen Chi-cheng (Ch'en Chi-ch'eng), 419, 438, 466, 533, 538
- Chen Chi-tien, 269
- Chen Chin-kun, 454
- Chen Keng, Gen., 593
- Chen Kuang-chou, 57
- Chen Kuo-fu, 36*n*, 148*n*, 155, 176*n*, 235*n*, 308*n*, 600*n*, 633, 719
- Chen Kwan-pu. *See* Chen, K. P.
- Chen Kwang-tou, 419

- Chen Li-fu: CC clique, 148*n*, 155, 176*n*, 235*n*, 308*n*, 600*n*; Chiang Kai-shek, possible retirement of, 689; Chinese Communist demand for confiscation of property of, 19; Chinese Communist list of war criminals, inclusion on, 719; conversation with Secretary Marshall, 361-362; election of Vice President of China, role in, 208, 216-217; elections for Legislative Yuan, role in, 227; elections for National Assembly, role in, 36, 45, 169; Executive Yuan, refusal to join, 654, 666; martial law for Peiping, 466; memorandum to Secretary Marshall, 369-372; Minister without portfolio, appointment as, 673, 678, 686; resignation from Central Executive Committee of the Kuomintang, question of, 233, 252; U.S. aid and assistance, 425, 521, 540; U.S. policy toward China, 544-545, 588; Vice President of Legislative Yuan, 239-240, 242, 247, 251, 667, 678
- Chen Po-ta, 284-285
- Chen Pu-lei, 227
- Chen Tung-kuo, Gen., 304
- Chen Yao-te, Gen., 56
- Chen Yi, Gen., 172, 314, 316-317, 332, 434, 467, 478, 533, 543, 587, 592-593, 645
- Cheng Chen-wen, 269
- Cheng Chieh-min. *See* Cheng Kai-min.
- Cheng Chien (Ch'eng Ch'ien), 148, 177, 204-205, 207-208, 212, 219, 222, 241, 314, 551*n*, 719
- Cheng Kai-min (Cheng Chieh-min), Gen., 39-40, 56-57, 84-85, 147, 502, 558
- Cheng Ming-hsin, 122
- Cheng Tien-fang, 687
- Chennault, Maj. Gen. Claire L., 577, 603, 606
- Chiang Chien-fu, 530
- Chiang Ching-kuo, 414, 461, 532
- Chiang Kai-shek, Generalissimo:
 Breakup of China into regional units, attitude toward possible, 407
 Cairo Declaration, signatory of, 293*n*
 CC clique, 156
China's Destiny, 90
 Chinese Communist attitude toward. *See under* Chinese Communists.
 Chinese Communist list of war criminals, inclusion on, 718-720
 Chinese Communists: Attitude toward during World War II, 151-152; opposition to accommodations with, 87, 150, 295, 329, 431, 498-499
 Ching Dynasty, overthrow of, 111
- Chiang Kai-shek, Generalissimo—Con.
 Coalition government, attitude toward, 544-545, 598
 Cominform resolution against Yugoslavia, 399-400, 441
 Economic situation in China, 188
 Elections, role in, 55, 169-170
 Emergency powers, 195, 197, 292, 294, 663, 693, 705
 Executive Yuan (Cabinet), 223, 225, 236, 242, 247, 255-256, 541, 597, 607-608, 667, 673, 675, 677
 Financial and economic reform measures, 434
 Japan: Terms of surrender for, 280*n*; war against, 111, 151-152
 Kuomintang: Attitude of Kuomintang toward, 542; reorganization of, 366, 397; role in, 210, 248, 252, 542
 Kuomintang-Chinese Communist negotiations (1946), failure of, 369-371
 Kwangsi clique, attitude toward, 241-242
 Legislative Yuan, 228, 465-466
 Li Chi-shen: Chiang attitude toward, 299, 337, 367; Li Chi-shen opposition to Chiang, 268, 411
 Li Tsung-jen: Candidacy for Vice President, Chiang attitude toward, 156, 164, 177, 205-207, 209, 216, 218-220, 222, 233, 241, 251, 298, 350; cooperation with, question of, 294, 332, 379, 529
 Manchuria, political situation in, 400, 412
 Mao Tse-tung: Agreement with, *Sept.* 1945, 138; Mao attitude toward Chiang, 632
 Marshall, George C., Chiang message of greeting to, 361
 Marshall Mission to China, 475-476
 Martial law in Peiping, rejection of by Legislative Yuan, 465-466
 Military appointments, 119, 231, 241, 298-299, 317, 379, 405, 436, 514-515, 550
 Military situation in China, 11, 16, 82, 89, 94, 99, 103, 105, 118, 129, 152, 181, 188, 220, 246, 282, 289, 329, 386, 406, 422, 447, 478-480, 484-488, 502, 504-505, 520, 522-524, 526-527, 532-534, 538-539, 547, 555, 557-558, 580, 606, 608-610, 625, 641, 643, 722, 726-727
 Nanking, question regarding possible transfer of Chinese Government from, 850, 852-853, 855-860
 National Assembly, sessions of, 139, 164, 170-171, 174-175, 187-188, 277

- Chiang Kai-shek, Generalissimo—Con.
 Overthrow of, objectives of: Chinese Communists, 18, 250, 305, 308; Kuomintang Revolutionary Reform Committee, 248-249, 305, 357-358, 586-587; other opposition groups, 290, 335, 380, 407, 410-411, 630-631
 Peace negotiations with Chinese Communists, attitude toward, 150, 425, 438, 536, 556, 559, 564-565, 598, 678-679, 681, 698, 721
 Political leadership and position of, 38-39, 76-77, 82, 89-91, 102, 121, 132-133, 135, 151, 155-158, 160, 163-165, 173-174, 176-177, 180, 203, 206, 208, 216-218, 220, 222-223, 225-226, 230-231, 234, 236-238, 242, 258, 264, 276, 292, 294-295, 298, 314, 316-317, 321, 331-332, 337-338, 344-345, 350-351, 367-368, 373, 375, 379, 389, 398, 401-402, 406, 411, 413, 433, 435-437, 493-494, 496-497, 514-515, 528, 536-537, 542, 552, 566, 568-569, 577, 610-611, 625-627, 629, 631, 651-652, 654, 663, 666, 674, 677, 679, 687, 693, 705, 708, 710, 858-859
 Political Science Group, 156
 Political situation in China, 83
 President of China, election and inauguration, 164, 181-182, 185, 188, 193, 195-196, 207-208, 216-217, 221, 225, 232, 234, 251
 Resignation, retirement or withdrawal of, suggestions regarding, 39, 56, 78, 87, 132-133, 148, 160, 202-204, 206, 223, 231-232, 235, 326, 337, 373, 497-498, 504, 507, 511, 535, 552, 568-570, 588, 604-605, 651-652, 654-656, 663, 665-666, 675, 679, 687-691, 693, 697-698, 703-708, 722, 850; U.S. policy regarding, 516-517, 688, 704
 Rural reconstruction program, 38, 417
 Sino-American Anti-Communist Pact, 164
 Sino-Soviet treaty (1945), 343-344
 Soong, T.V.: Chiang attitude toward, 155; Soong attitude toward Chiang, 375, 402, 551, 566
 Soviet-American war, expectations regarding, 626
 Soviet attitude toward, 21, 388
 Soviet mediation offer, 85, 101, 112, 117-118, 123
 Soviet Union, Chiang attitude toward, 400, 417, 438-439, 735, 739
 Speech of Oct. 10, 498-499
 Statement regarding Chinese Communists, Aug. 22, 426-430
- Chiang Kai-shek, Generalissimo—Con.
 Stuart, John Leighton: Conversations with, 163-165, 184-186, 225-226, 255, 288-289, 365-368, 417-418, 420; correspondence with, 174-175
 Student attitudes toward, 269
 Student unrest and demonstrations, 183, 385, 427-430
 Sun Fo: Candidacy for Vice President, 197, 207-208, 212, 217, 219; Sun Fo's attitude toward Chiang, 663
 Taiwan: Possible withdrawal to, 850; situation in, 585, 601
The Stilwell Papers, criticism of Chiang in, 446
 Truman, Harry S., correspondence with, 588, 599, 626
 United Nations, possible referral of China question to, 570-571, 590
 United States, Chiang attitude toward, 544, 550
 U.S. aid and support for, 82, 126, 133, 163, 184-185, 211, 214, 290, 351, 417-418, 439-440, 495, 498, 505, 526, 537, 540, 550, 562-563, 575, 626, 651-652, 654, 666, 707-708
 U.S. military advice, question of, 178, 288-291, 299-300, 330, 422, 510, 514, 526
 U.S. military intervention, question of, 558
 U.S. policy toward China, request for Presidential statement of, 588
 U.S. Service Attaché planes, ban on flights west of Lanchow, 461, 736-737
 Wan Yi, imprisonment of, 201
 Youth Corps, 639
 Chiang Kai-shek, Mme., 175-176, 226, 255, 361, 504, 718-719; visit to the United States, 608-610, 626, 628, 654, 663, 665, 681, 855
 Chiao Mu (Ch'iao Mu), 137n, 660, 812, 842-843, 845, 847
 Chiaotung University, 224, 260, 271, 278
 Chief of Naval Operations (CNO) (U.S.), 351
 Chien Chang-chao, 147
 Chien Tuan-sheng, 147
 Chin Feng-chuan, 640, 643-644
 China Aid Act of 1948 (U.S.), 439, 513, 613-614, 616, 696, 704, 712
 China Aid Program (U.S.). *See* Financial and economic aid to China.
 China College (Peiping), 420
 Chinese Air Force (CAF), 246, 471, 530, 547, 584, 633, 640, 661, 744, 825, 827-828
 Chinese Association for Social and Economic Research, 147, 187
 Chinese Association of Labor, 491n

- Chinese Communism, 40-43
- Chinese Communist Party (CCP) (*see also* Chinese Communism, Chinese Communists, and Mao Tse-tung):
- Central Committee, 483, 598-599, 602
 - Chiang Kai-shek, attitude toward, 598-599, 603, 632
 - Coalition government, proposals regarding, 82-83, 140, 143, 327, 337, 566, 632, 655, 676
 - Cominform resolution on Yugoslavia, 333-334, 347-348; approval of, 366, 378, 398-399, 442, 596
 - Diplomatic acts of the Chinese Government, nonrecognition of validity of, 599
 - Foreign consulates at Mukden, blockade of communications of, 696
 - Foreigners, attitude toward, 816-817
 - Kuomintang, attitude toward, 598-599
 - Li, C.Y., relationship with, 313
 - Li Chi-shen, relationship with, 305-309, 630
 - Membership in, 199, 546
 - Missionaries, attitude toward, 679
 - North China Bureau of the Central Committee, 378, 383-384, 454
 - North Korea, possible effect on CCP of diplomatic offensive against, 695
 - Peace negotiations, 688
 - Policies and objectives, 90, 239, 285, 377, 431, 526, 546, 593-594, 631-632, 637, 696, 700
 - Political Consultative Conference, 629-630
 - Recognition of, question of, 234
 - Reform group of, 336
 - Soviet attitude toward, 10, 81-83, 377, 622, 651
 - Soviet Union, attitude toward, 200, 353, 374, 387, 546, 593-595, 631-632, 637, 651-652, 677, 696, 723
 - United States, attitude toward, 598-599, 602
 - U.S. armed forces in China, 567, 599
 - U.S. attitude toward, 82
 - U.S. economic and military aid to China, 130, 565, 599, 602-603
 - U.S. mediation, 567
 - War criminals, list of, 697, 718-720
- Chinese Communists (*see also* Chinese Communism, Chinese Communist Party, Mao Tse-tung, Military activities *under* Military situation, and People's Liberation Army):
- Anti-American attitudes, 5, 13, 18, 28, 31, 42, 125, 203, 209, 296, 454, 457, 546, 649, 803, 812
 - Army Advisory Group in China (U.S.), attitude toward, 19
- Chinese Communists—Continued
- Chiang Kai-shek, attitude toward (*see also under* Chinese Communist Party), 18-19, 31, 79, 114, 119-121, 150, 159-160, 169, 202-203, 250, 270, 284, 295, 305, 308, 329, 350, 354, 401, 431, 458, 462, 596, 698, 706, 816-817, 847
 - Coalition government (*see also under* Chinese Communist Party), 6-7, 18-19, 40, 101, 148, 150, 250, 305, 366, 596, 659
 - Communist International, relationship to, 31, 42, 397-399, 669-670
 - Conditions in Communist controlled areas, 5-8, 162-163, 297, 383-384, 455-459
 - Constitution of China, attitude toward, 18, 308, 700
 - Consular posts, attitude toward retention of, 812-813, 819
 - Economic and financial reforms of Chinese Government, attitude toward, 458-459
 - Factions within, reports of, 15, 52, 96, 192, 198-202, 212-213, 259-260, 347, 383-384, 426, 431, 442-443, 502, 637, 656
 - Foreign aid to Chiang Kai-shek to help fight civil war, opposition to, 19
 - Foreign correspondents, attitude toward, 660-661, 723
 - Foreign loans to Chiang Kai-shek during civil war, repudiation of, 19
 - Government, reports regarding establishment of (*see also* North China People's Government, *infra*), 259-260
 - Hainan island, 137
 - Hong Kong, attitude toward status of, 660
 - Japan, attitude toward, 19
 - Kuomintang: Attitude toward, 7, 20, 29, 100-101, 285, 347, 454, 459, 555, 596, 660, 700-701, 706; possibilities of peace negotiations with, 87, 431
 - Kuomintang Revolutionary Committee in Hong Kong, relationship with, 354-355, 410, 431, 490, 575-576, 660
 - Kwantung province, 137
 - Land reform program, 5, 19, 28, 30-31, 89, 283-287, 347, 458, 463-464, 483
 - Legislative Yuan, attitude toward, 700
 - Li Chi-shen, attitude toward, 270, 410, 431, 442-443
 - Li Tsung-jen, attitude toward, 270, 308, 718-719
 - Marshall Mission to China, attitude toward, 245

Chinese Communists—Continued

- Minorities in China, attitude toward, 19
- Missionaries, attitude toward (*see also under* Chinese Communist Party), 41, 418, 456-457, 595, 713, 716
- National Assembly, attitude toward, 202-203, 308, 700
- North China Government Council, 454
- North China People's Government: Establishment of, 449-450, 454, 458, 556; questions regarding possible Soviet recognition of, 450, 461
- North China Provisional People's Representative Congress, 449, 454, 458
- Northeast Salvation Society, 199
- Peace negotiations, attitude toward, 707
- Political Consultative Conference, possible interest in the resumption of (*see also under* Chinese Communist Party), 329, 355, 410, 443, 450, 469, 473, 490-491, 642
- Political objectives and policies, 9-10, 18-21, 28-29, 114, 131-132, 202-203, 210-211, 239, 244-245, 270-271, 283-288, 347, 377-378, 430-432, 462-464, 546, 593-597, 631-632, 637, 660-661, 679, 691-693, 700-703, 723
- Soviet advice to, 271, 274
- Soviet aid to (*see also under* Soviet Union: Manchuria), 15, 51, 582, 589-590, 597, 744
- Soviet attitude toward, 360-361, 374, 377-378, 384, 451, 519, 571, 715
- Soviet direction and control over, question of, 545, 549, 596, 651, 716-717
- Soviet Union, Chinese Communist attitude toward (*see also under* Chinese Communist Party), 42, 58, 123, 236, 353, 366, 387, 502, 546, 564, 593-597, 608, 655, 713-715
- Sungpei clique, 199-201
- Treaties negotiated by the Chinese Government, denunciation of, 19
- Tu Kung faction, 212-213
- United Kingdom, attitude toward, 660
- U.S. aid and support for Chinese Government, attitude toward, 5, 119-121, 203, 209, 215-216, 245, 271, 459, 594, 598-599, 602-603, 715, 812
- U.S. arms and equipment in Chinese Communist hands, 4, 34, 131-132, 492-493, 531, 547
- U.S. consular officers, proposed visit to Communist controlled territory, 6-8, 84, 86-87

Chinese Communists—Continued

- U.S. economic aid to Chinese Communists, considerations regarding, 5, 13, 148, 712-714
- U.S. forces at Tsingtao, attitude toward, 19
- U.S. interest in China, attitude toward, 711
- U.S. policy toward, proposals regarding, 578, 711-712
- U.S. troops in China, demand for withdrawal of, 19
- Wai Kung faction, 212-213
- War criminals, policy regarding (*see also under* Chinese Communist Party), 113-114, 668, 692, 699, 706, 718-720, 725
- Yenan clique, 199-202, 426
- Chinese Government (*see also* Chiang Kai-shek, Kuomintang, Military situation, *and* Political situation): Anti-Communist measures, 421-422
- Constitution: Adoption of, 139; amendment of, question of, 203, 207, 217; inauguration of, 12, 17, 25, 45, 87, 185, 193, 195, 197, 207-208, 216, 225, 232, 234, 294, 307, 321, 390, 465, 528, 669-670, 761; regulations for the enforcement of, 228
- Control Yuan, 149, 161-162, 466, 507, 778, 856-857
- Elections, 12-13, 25-26, 36, 43-45, 55-56, 70-71, 102, 106
- Examination Yuan, 856-857
- Executive Yuan: Activities of, 314-316, 318-321, 421-422, 433, 466, 540, 638, 664, 694; appointment of, 25, 134, 140, 156, 195, 223-226, 231, 247, 255-256, 268-269, 278, 294, 297-298, 637, 654, 665-667, 673-674, 677-679, 686-687, 705; move from Nanking, plans for, 856-857; Political Committee of, 134; powers of, 663; President of (*see also* Chang Chun, Wong Wen-hao, *and* Sun Fo), 223, 230, 242, 247, 251-252, 255-256, 269, 294, 315-316, 563, 583, 597, 607-608, 633-634, 654, 663, 673; resignation of, 540-541; war cabinet, 604-605
- Judicial Yuan, 857
- Legislative Yuan: activities of, 195, 197, 224, 229, 239, 255, 315-316, 321, 372, 375, 402, 439, 465-466, 473, 507, 509-510, 542-543, 552, 580, 636, 664, 666-667, 761, 767, 779; elections to, 25, 45, 55-56, 217, 226-230, 237, 242; move from Nanking, plans for, 856-857; President of, 218, 239, 242, 678, 687; President of Executive Yuan, election and support of, 251-252, 255-256, 634, 636, 686;

Chinese Government—Continued

Legislative Yuan—Continued

Treaty of Friendship, Commerce, and Navigation with the United States, ratification of, 619; Vice President of, 239-240, 242, 678, 687

National Assembly: Adoption of the Constitution, 1946-1947, 139-140, 669; elections to, 25, 36, 43-45, 55, 70-71, 169-170, 217-218, 226-227; first session of, 170-171, 174, 187, 195, 203, 216-218, 221, 223-224, 227, 233, 242, 255, 294, 705; message to President Truman, 669-670; postponement of, question of, 75, 155, 164; Presidential election, 171, 181-182, 185, 188, 193, 195-196, 207-208, 216-217, 221-222, 225, 232, 234, 277, 295, 669; special session, authorization for, 195; Vice Presidential election, 160, 171, 174, 177, 193, 195, 197, 203-212, 216-219, 221-222, 224, 232-233, 277, 669

President of China (*see also* Chiang Kai-shek): Election of, 91, 164, 171, 181-182, 185, 188, 193, 195-196, 295; inauguration of, 232, 240, 251

State Council, 140, 227

Supreme National Defense Council, 152

Vice President (*see also* Li Tsung-jen): Election of, 38*n*, 39, 87, 91, 121, 126, 132-133, 147-149, 155-156, 160, 164, 171, 174, 177, 193, 195, 197, 203-212, 216-219, 221-224, 227-228; inauguration of, 232, 240, 251

Chinese Liberated Areas Relief Administration (CLARA), 8

Chinese National Aviation Corporation (CNAC), 35, 37, 246, 474, 528, 734, 756

Chinese National Commission on Aeronautical Affairs (CCAA), 35

Chinese National Relief and Rehabilitation Administration (CNRRA), 8, 37

Chinese Navy, 584, 661

Chinese press, attitude toward the United States, 32, 34

Ching Pao, 137*n*

Chou Chih-jou, Gen., 481*n*, 719

Chou Ch'ing-wen. *See* Chow Ching-wen.

Chou En-lai, Gen., 192, 202, 210, 250, 305, 369, 386, 462, 509, 565, 630, 665

Chou Pao-chung (Chow Pao-chung), Gen., 15, 201, 257

Chou Ping-lin, 147

Chou Wei-pin, 201

Chow Ching-wen (Chou Ch'ing-wen), 629-630, 302, 306-309, 629-630

Chow Pao-chung. *See* Chou Pao-chung.

Chow Ti-jen, Gen., 419

Ch'u, S.Y., 38

Chu Au-yang, 46

Chu Chi-wen, 829*n*, 830-831, 835-836

Chu Chia-hua, 279, 678, 719

Chu Hsi-chien, Lt. Gen., 131*n*, 419*n*, 647*n*

Chu Hsueh-fan, 491, 630

Chu Shao-liang, Gen., 752

Chu Teh, Gen., 20, 192, 200, 467, 496, 653, 668, 697

Chungfa University, 420

Churchill, Winston S., 150*n*, 293*n*

Civil Air Transport (CAT): Incident of Mar. 8, Chinese Government protest to Soviet Union regarding, 171, 184, 186-187; operations by American pilots, 35, 37, 97; operations in China, 246, 471, 474, 528, 742

Civil unrest in China, 349, 359-360

Clark, Lewis: Anti-British demonstrations in Canton, 47-48, 54, 63, 66-68; Chinese Communist factions, 192, 212; Chinese Communist objectives, 270-271, 283-288; Cominform resolution on Yugoslavia, 441-443; financial and economic aid (U.S.), 578; Hong Kong, future status of, 63-64; Kuomintang Revolutionary Committee in Hong Kong, 312-314, 364-365, 368-369; Li Chi-shen, appraisal of, 267; Li Tsung-jen, appraisal of, 528; military advice to Chiang Kai-shek and Chinese military staff, 300, 330; Nanking, possible move of Chinese Government from, 851; political situation in China, 10-13, 78-79, 87-88, 157-161, 177-178, 195, 216-221, 294-298, 318-321, 331-333, 432-437, 541-542, 552-556; retention in Nanking in event of transfer of Chinese Government, question of, 859-860; U.S. consular posts in Chinese Communist areas, policy regarding retention of, 821; U.S.I.S. program in China, 123-125; U.S. Service Attaché planes, ban on flights west of Lanchow, 734-737, 741-742

Cleveland, Harlan, 686

Clough, Ralph, 78*n*

Clubb, O. Edmund: Chinese Communist objectives, 18-21; conditions in areas controlled by Chinese Communists, 5-8, 162-163; Consul General at Mukden, Harbin, and Changchun (1946-1947), 800*n*, 811, 836*n*; military situation in Manchuria, 95-96, 106-107, 114-117, 122, 500-501, 547; military situation in North China, 115, 167-168, 503-505, 521-522, 532-533, 538-539, 547-548, 592-593, 602, 606, 639-640, 643-644, 647-649, 652, 657-658, 665, 699-700, 723-725; Mukden, situation in under Chinese Communist control, 840;

- Clubb, O. Edmund—Continued
 People's Liberation Army's warning to war criminals, 113-114; political situation in China, 87, 132-133, 147-148, 302-303, 334-336, 535-537, 576-580; protection of American lives and property, 673; Soviet policy toward China, 88-91, 100-103; student unrest and demonstrations in Peiping, 183-184, 280-281, 291-294
 Clurman, Robert, 109-110, 112
 Coalition government (*see also under* Chinese Communist Party and Chinese Communists): proposals regarding, 81-83, 88-89, 101-102, 126, 139, 148-150, 159, 174, 234-236, 249-250, 290, 305-307, 313, 315, 327, 336-337, 348, 350, 358, 364, 366, 378-380, 389-390, 407, 409, 411, 431, 461, 490-491, 493, 495-498, 507, 515, 519, 523, 525, 527, 543-545, 550, 554, 564-565, 575, 577-578, 598, 604, 610, 621, 629-630, 632, 642-644, 654-657, 659, 676, 680, 695, 699-700, 703, 706, 710-711; U.S. policy regarding inclusion of Chinese Communists, 138-143, 149-152, 315, 415, 431, 505-506, 508, 511, 517-518, 525, 544-545, 566-567, 569-570, 588, 597-598, 600, 603, 613, 650-651, 659, 681, 712-713
 Cochran, John K., 816
 Cominform: Activities in Manchuria, 449; resolution against Yugoslavia, 333-334, 346-347, 353, 377, 397-400, 441-443, 596, 631
 Comintern, 13-15, 57, 353
 Commander, U.S. Naval Port Facilities Shanghai (COMNAVPORTFAC Shanghai), 351
 Commander of U.S. Naval Forces in the Western Pacific (COMNAVWES PAC), 189, 282, 351, 464
 Committee for a Democratic Far Eastern Policy, 119
 Communist International, 31, 42, 200, 397-400, 669-670
 Compton, Karl, 330
 Conant, James B., 330
 Congress (U.S.): Aid to China Program, 48, 51, 70, 109, 163, 165, 173-174, 180, 185, 193, 362, 563, 588, 605, 663; military aid to China, question of, 214, 513; U.S.I.S. appropriations, 574, 834; visit to the U.S. by Mme. Chiang Kai-shek, 610
 Connolly, Matthew J., 773*n*
 Connors, W. Bradley, 31-34, 560*n*, 831, 833-834
 Council of Foreign Ministers, London, Nov. 25-Dec. 16, 1947, 34
 Covington, Lt. Col., 46-47
 Crowley, Margaret, 825
 Czechoslovakia, Communist *coup d'état* in, 123*n*, 139, 174
 Dairen: Chinese Communist activities in, 803; closure of port of Dairen for international trade, 793, 799; Soviet role in, Patch statement on, 402-404; Soviet status in, U.S. position regarding, 788; Soviet restrictions on U.S. consulate, 794-795; U.S. Consulate at, efforts by the United States to keep open routes of communication and supplies for, 787-808, 832
 Dalai Lama, 764, 766-768, 770-773, 775-776, 785
 Daridan, Jean, 628-629, 843
 Democratic League, 26, 181, 267, 270, 352, 431, 454, 491, 630, 699
 Democratic Socialist Party, 25*n*, 44, 208-209, 226-228, 230, 269, 646-647
 Dempsey, Mr., 762
 Denfield, Adm. Louis E., 381*n*
 Department of Commerce (U.S.), 760, 763-764, 766, 775
 Department of State Press Release, Mar. 11, 143
 Department of the Air Force (U.S.), 516
 Department of the Army (U.S.), 362, 516, 592
 Department of the Navy (U.S.), 464, 516, 592
 Department of the Treasury (U.S.), 516, 780
 Depon Surkhang, 755-756
 Dewar, Mary, 456
 Dewey, Thomas E., 366, 576
 Ditmanson, Marcy, 5-7, 13
 Dolan, Brooke, 767, 771
 Donovan, Howard, 755-756
 Doolittle, Lt. Gen. James H., 649*n*
 Draper, Maj. Gen. William H., 260*n*, 301, 516
 Dreesen, Robert B., 731
 Dulles, John Foster, 544
 East Germany, 595
 Economic Cooperation Administration (ECA) (U.S.), 685, 712
 Eisenhower, General of the Army Dwight D., 129
 European Recovery Program (ERP), 650-651
 Executive Yuan. *See under* Chinese Government.
 Export-Import Bank of Washington, 785
 External Survey Detachment (ESD) (U.S.), 1, 14*n*, 191, 253, 257, 304, 310, 426
 Fan Cheng-po, 161-162
 Fan Han-chieh, Gen., 65, 115, 314, 453, 467, 475, 478, 482, 484, 500-501, 726
 Fan Wen-lan, 454

- Far Eastern Commission (FEC), 194, 621
- Federal Reserve Bank of New York, 775, 780
- Fedorenko, Nikolay T., 85-86
- Feng, Gen., 418
- Feng Chih-an, 593
- Feng Yu-hsiang, Marshal, 148, 308-309, 312, 364, 493, 496, 557
- Feng Yu-hsiang, Mme., 631
- Financial and economic aid to China (China Aid Program) (*see also* U.S. aid and assistance to China), 11, 135, 145-146, 356, 362, 390, 506-507, 510-511, 513-514, 523, 554-555, 562, 570, 578, 583-584, 589, 611-619, 621, 674, 676, 685-686, 696, 704, 714, 813, 852
- Financial and economic situation in China: Collapse of Chinese dollar, 344; currency stabilization, 12, 428, 433, 548, 708; deterioration of, 39, 359-360; gold yuan notes, issuance of, 428-429, 433, 459, 559; inflation, 12, 93, 129, 319, 329, 342, 344, 379-380, 406, 428, 615; price controls, 532; reform program, 397, 407, 432-434, 437, 458, 493, 509
- Fine Arts College (Peiping), 420
- First War Powers Act, 1941 (U.S.), 192_n
- Flying Tigers. *See* American Volunteer Group.
- Foo Ping-sheung (Fu Ping-chang), 656_n, 680, 687_n
- Forbes, Mr., 762
- Ford, J. F., 703-704
- Foreign aircraft of diplomatic missions, proposed ban on, 745, 748
- Foreign Ministers (U.S.-U.K.-Soviet Union), meeting of, Dec. 27, 1945, 81_n
- Foreign travel in China, Chinese Government restrictions on, 739
- Formosa. *See* Taiwan.
- Frankel, Capt. Samuel B., 580_n, 744_n
- Freeman, Fulton, 5-6, 8, 764-766, 768, 770-772, 775, 779, 781-786, 812
- Fu Ping-chang. *See* Foo Ping-sheung.
- Fu Ssu-nien, 240
- Fu Tso-yi, Gen., 114-116, 130-131, 155, 158, 181, 220, 295-296, 317, 329, 331, 333, 344-346, 349-350, 352, 356-357, 365-366, 368-369, 375, 379, 381, 384-386, 400-401, 405, 419, 423, 436-438, 447-448, 460, 465-466, 478-479, 484-485, 503-505, 517, 521-522, 532-534, 536, 538-539, 543, 547, 550, 557, 568, 577, 579-580, 592, 605-606, 625, 635, 639-640, 645-646, 648, 657-658, 665, 673, 687, 699-700, 704-705, 719-720, 722-725
- Fugh, Philip, 100-101, 175, 255, 289, 292, 645-646, 681, 693
- Fuhtan University, 271
- Fujian University, 420-421
- Fukien province, political situation in, 263-264, 267
- Fulbright Act of 1946 (U.S.), 51_n
- Fulbright educational exchange program, 63, 73
- Fulton, James G., 138
- Galen. *See* Blücher.
- Gauss, Clarence E., 151-152
- Germany, 418, 595
- Gleysteen, Culver, 794-795, 800-802, 806, 808
- Grantham, Sir Alexander, 67
- Greece, 583, 595, 722
- Han Li-wu, 65, 349_n
- Hinke, Frederick W., 113, 278-279
- Ho, Franklin, 537
- Ho, T.K., 425, 439
- Ho Chi-kun, 454
- Ho Erh, 303
- Ho Shou-yi, 391-392
- Ho Sze-yuan, 314
- Ho Ying-chin, Gen., 155, 223, 225, 236, 241, 247, 251-252, 255-256, 268-269, 278, 291, 298, 326, 400, 462, 471, 473, 514, 559, 625-626, 719, 735, 827_n, 828
- Hoffman, Paul G., 351, 543, 561, 650-651, 654, 712
- Hong Kong: Chinese Communist attitude toward status of, 660; eviction of squatters from Kowloon area, 46-47, 49, 63, 66-69; refuge for Chinese from mainland, 129; return of Hong Kong and Kowloon to China, question of, 49, 54, 63-64, 66-68
- Hopper, George D., 126, 182-183, 575-576, 586-587, 629-631, 721, 812, 841-845, 847
- Horiuchi, Hoshishira, 281
- Hou, Gen., 556-557
- House, Lt. Col. A. T., Jr., 734, 742, 744
- House of Representatives (U.S.), Foreign Affairs Committee of, 138, 513
- Hsi, T.J., 121
- Hsia Cha, 202
- Hsiao Chien, 147
- Hsieh Chueh-tsai, 556
- Hsieh Kwan-sheng, 269
- Hsieh Yu-chin (Hsieh Yu-ch'in), 57, 201
- Hsieh Yueh, Gen., 558
- Hsing Shih-lien, 202
- Hsiung Shih-hui, Gen., 719
- Hsu Cheng-chia, Gen., 302-303, 334-335
- Hsu Chien-ku, 556
- Hsu Ching-yu, Lt. Gen., 180-182
- Hsu Fu-lin, 204-205, 228
- Hsu Hsiang-chien, 38, 454, 504, 533
- Hsu Kan, 269, 678
- Hsu Shih-ying, 269
- Hsu Yung-chang, 678
- Hsuan Tieh-wu, Lt. Gen., 55, 74, 147, 278, 280, 532

- Hsueh Tu-pi, 269
 Hsueh Yneh, Gen., 719
 Hsuing Shih-hui, Gen., 98, 103
 Hu Chia-feng, 551
 Hu Lin, 38, 56
 Hu Shih, 147, 156, 160, 181-182, 184, 187, 195-198, 209, 397, 421, 583-584, 604, 607, 637, 654, 665-666, 675-677, 679, 687
 Hu Tsung-nan, Gen., 175, 215, 719
 Hu Wai-lu, 630
 Hua Kang, 270
 Huang Cheng-kiu (Huang Cheng-chiu), Gen., 52, 136-137
 Huang Ching, 556
 Huang Hsu-tsu, 551
 Huang Po-tao, 593, 641
 Huang Wei, Gen., 688, 720
 Huapei University, 420
 Hubbard, Fred E., 453
 Hung Lan-yu, 678, 698
 Hung Lu-tung, 585
 Hung Pang, 38
 Hurley, Maj. Gen. Patrick J., 152
 Hutchins, Robert M., 330

 India, 320, 327, 730, 774, 777
 Indonesia, 595
 Inner Mongolia, 243
 International Conference of American States, Ninth, *Mar. 30-May 2*, 173*n*
 International Court of Justice (ICJ), 64
 International Red Cross, 696
 International Trade Organization (ITO), Charter of, 618
 Iran, 730, 733
 Italy, 651

 Japan: Aggression by, 595; Chinese Communist attitude toward, 19; Chinese Government policy toward, 320, 510, 621-622; Japanese demands on China (21 Demands), 1915, 269; reparations from, Chinese Government demand for, 312, 621; Soviet communications with, question of restrictions on, 789, 791-792; terms of surrender, 280*n*; Tibetan trade mission, question of, 757-759; U.S. Advisory Group to Japan and Korea, 260*n*; U.S. aid program for, 279*n*; U.S. shipments of oil and scrap prior to World War II, 709; U.S. policy toward, 68-70, 72, 194, 260-261, 267, 278-281, 291-293, 296, 301, 310, 328, 354-355, 620-622, 710; war against during World War II, 111, 151-152
 Japanese arms and equipment, question regarding turnover to Chinese Communists and to Chinese Government, 709
 Japanese peace conference, 281, 604
 Japanese peace treaty, 123, 194, 621, 662
 Jarvis, Francis G., 35
 Jen Pi-shih, 210, 211*n*, 283-284
 Jen Po-ta, 593
 Jessup, Philip C., 581
 Johnston, Percy H., 260*n*
 Joint Chiefs of Staff (U.S.), 282-283
 Joint U.S. Military Advisory Group in China (JUSMAG), 506, 516, 543, 584, 602, 634, 676
 Jones, John Wesley, 471-473, 498-500, 578, 860
 Jung Tse-ko, 556

 Kan Chieh-hou, 147-148, 203, 230, 655-656, 689
 Kan Lee, 72
 Kao Chen, 454
 Kao Ch'ung-min, 302
 Kao Hsi-ping, 529
 Ke Lao Hui, 38
 Kenny, Capt. W. T., 54
 Khenchung Changkhimpa, 773-775
 Knapp, J. Burke, 779-780, 783, 785
 Knox, Frank, 140*n*
 Kohler, Foy D., 689, 793-795, 801, 806*n*
 Koo, V. K. Wellington, 361-362, 586, 588-589, 669, 719, 761*n*, 762-766, 768, 770-773, 778-779, 784
 Korea: Events in, 103, 684; North Korea, Soviet puppet regime in, 112, 118, 327, 595, 695; South Korea, nonrecognition of by Soviet Union, 789; U.S. Advisory Group to Japan and Korea, 260*n*
 Kosenkina, Mrs. Oksana S., 444
 Kourdukov, Con. Gen., 88
 Koval, John, 787, 801-803, 808
 Krentz, Kenneth C., 601-602, 604, 633, 853-854
 Ku Cheng-kang, 227, 269
 Ku Cheng-lun, 498*n*, 551*n*
 Ku Chu-tung, Gen., 175, 223, 231, 241, 266, 291, 298, 332, 448, 473, 485, 719
 Ku Meng-yu, 269, 314
 Kuei Yung-ch'ing. *See* Kwei Yung-ching.
 Kuladhak Maratna, 756
 Kung, H. H., 19, 149, 425, 719
 K'ung Hsiang-li, 335
 Kung Hsueh-sui, 668*n*
 Kung P'eng, 812
 Kuo Ju-kuei, 488
 Kuo Mo-jo, 491, 630
 Kuo Tsan, Lt. Gen., 297
 Kuo Tsung-fen, Gen., 647-648
 Kuomintang (KMT):
 Anti-British demonstrations, role in, 49, 53, 67-68
 Bureau of Investigation and Statistics (BIS), 55

Kuomintang (KMT)—Continued

- CC clique, 25-26, 36, 55-56, 68, 70-71, 82, 85, 92, 148, 156, 160, 168-170, 176, 193, 208-210, 212, 216, 219, 221-223, 235, 237, 239-240, 242-243, 247-248, 251-252, 255, 264, 266, 295, 305, 308, 316, 326, 364, 462, 510, 600, 664, 667, 686-687
- Central Executive Committee, 188, 252, 256
- Central Political Council, 127, 677-678, 687
- Central Standing Committee, 226-227
- Chiang Kai-shek: Election as President, KMT role in, 181-182, 185, 188, 196; influence over KMT, 210, 248, 252, 542; KMT attitude toward, 542, 610, 859
- Chinese Communist attitude toward. *See under* Chinese Communist Party and Chinese Communists.
- Chinese Communists, KMT attitude toward, 29, 79, 97, 140, 149, 151, 388, 622
- Coalition government, attitude toward, 566, 703
- Domination of Chinese Government, 210
- Elections, role in, 25, 44-45, 70-71, 75, 102, 133, 169, 193, 204, 206, 209, 217-219, 226-228, 230
- Factions within (*see also* CC clique, *supra*, and Political Science Group, *infra*). 88, 121, 123, 128, 135, 146, 166, 237, 638
- Hu Shih, question of support for, 607-608
- Leadership of, 295, 507, 677
- Military conscription, attitude toward, 160
- Negotiated peace, attitude toward, 78-79, 87, 89, 388, 652
- Political Science Group, 25, 50, 54, 56, 69, 149, 156, 164, 174, 176, 193, 242
- Political tutelage of the, 151, 198, 372
- Popular standing of, 11, 111, 180, 208, 237, 494, 642, 683, 718, 728
- Program and policies of, 186, 222, 224, 372, 519, 541-542, 605, 680, 685
- Reform and reorganization of, question of, 237, 366, 374-375, 397, 407
- San Min Chu I Youth Corps, 50, 55, 71, 638-639, 687, 692
- Secret agents, employment of, 42, 55, 83, 197-198
- U.S. aid, 565
- U.S. relief supplies, allegations regarding KMT exploitation of, 126
- Kuomintang-Chinese Communist negotiations (1946), failure of, 369-371
- Kuomintang Democracy Promotion Society, 630

Kuomintang Revolutionary Committee in Hong Kong (*see also under* Chinese Communists): Activities and policies of, 10, 75, 80-83, 121*n*, 126, 181-183, 194-195, 221, 223, 231, 235-236, 240, 248-251, 259, 267-268, 295, 305-309, 312-314, 321-322, 331, 336-339, 345, 348, 352-355, 357-359, 364-365, 368-369, 410-411, 431, 435-436, 489-491, 495-496, 507, 509, 575-576, 586-587, 629-631, 643, 646, 660; U.S. policy toward, 363-364

Kwan Chi-yu, 269

Kwangsi clique, 241-242, 299, 722

Kwei Yung-ching (Kuei Yung-ch'ng), Adm., 481*n*, 719

Lair, H.P., 276

Lan Kung-wu, 556

Lapham, Roger D., 351, 357

Lasswell, Harold D., 124

Legislative Yuan. *See under* Chinese Government.

Lei Chen, 228, 269

Lenin, Vladimir Ilyich, 29, 42, 287*n*, 595

Leutz, Lt., 66

Li, C.Y. (Li Tso-hsien), 182-183, 248, 250-251, 259, 306, 309, 312-314, 321-322, 355, 357, 410-411, 575-576, 629-630, 721

Li Chi-shen, Marshal, 10, 21, 75, 80-83, 121, 126, 137, 148, 160, 182-183, 194, 231, 235-236, 240, 248-251, 257-259, 264, 267-268, 270, 295, 299, 302-303, 305-309, 312-313, 321-322, 326-327, 331-332, 336-337, 339, 345, 348-349, 352-355, 357-359, 363-368, 375, 379-380, 410-411, 431, 436, 442-443, 490-491, 493, 495-497, 506, 509, 536, 576, 629-630, 660, 699-700, 706, 721

Li Ching-chai, 269

Li Ching-chuan, Gen., 521

Li Hsiang-yuan, 534, 673

Li Hung, Gen., 22, 304

Li Li-san (Li Ming; Li Ming-jen), 15, 200, 213, 302-303, 336, 341, 401, 425, 438, 442, 656

Li Liang-yung, Gen., 854

Li Meng, 629

Li Ming. *See* Li Li-san.

Li Pei-chi, 678, 687

Li Pin-hsien, 206

Li Tso-hsien. *See* Li, C.Y.

Li Tsung-jen, Marshal:

Administrative experience of, 259

Cessation of hostilities, attitude toward, 349-350, 559, 655-656, 690, 706, 721

Chiang Kai-shek attitude toward. *See under* Chiang Kai-shek.

Chinese Communists attitude toward, 270, 308, 718-719

- Li Tsung-jen, Marshal—Continued
 Kuomintang Revolutionary Committee in Hong Kong, relationship to, 235, 240, 248, 251, 337, 357, 365, 368-369, 436, 496
 Military situation in China, views on, 241
 Reform program, 230-231, 234, 239, 242, 255, 264
 U.S. aid in event of collapse of Chiang Kai-shek government, question of, 381
 Vice President of China: Activities as, 247, 252, 259, 295, 326, 332, 335, 338, 345-346, 349, 352, 364, 366, 380, 384-386, 401, 420, 436, 462, 507, 511, 528, 535-536, 568-570, 604, 630, 687-690, 694, 697-698, 710; candidacy for and election as, 38-39, 87, 116, 121, 126, 132-133, 147-149, 155-156, 160, 177-178, 187, 193, 197, 203-210, 212, 216, 218-222, 224-226, 233, 237, 252, 264, 298, 350; inauguration as, 232, 251
 Li Tsung-jen, Mme., 212
 Li Wei-kuo, 269, 372-373, 399, 441-442, 460, 677*n*, 678, 741*n*
 Li Wen, 533, 665
 Li Yu-tang, Gen., 391-393
 Li Yun-chang, 643
 Liang Hua-hsun, 2
 Liang Ying-wen, 269
 Liang-Kwang clique, 365
 Liao Yao-hsiang, Gen., 527
 Lieberman, Henry, 195-197, 462
 Lim, Robert, 678
 Lin, Gen., 556
 Lin, Andrew, 746
 Lin Feng, 57, 200
 Lin Piao, Gen., 15*n*, 27, 122, 191, 201, 213, 257, 378, 401, 425*n*, 532, 557, 645, 656, 658, 665, 688, 691, 700-703
 Little, L.K., 75, 653
 Liu, Gen. Johnny, 254
 Liu An-chi, Gen., 624
 Liu Ch'eng-chi, 303
 Liu Cheng-tung (Liu Ch'eng-tung), 58, 200
 Liu Chien-chun, 678, 687
 Liu Chih, 559
 Liu Ch'ing-t'ing, 201
 Liu En-chi, Gen., 277
 Liu Ju-ming, 593
 Liu Po-cheng, Gen., 38, 172, 478, 587, 645
 Liu Shao-chi, 594-595, 632, 637, 696
 Liu Shih, Gen., 719
 Liu Shih-shun, 859
 Liu Ta-chung, 147
 Liu Tse-jung, 731, 740, 749-754
 Liu Wei-chih, 269, 637, 678
 Liu Wen-hui, Gen., 302, 331, 365
 Liu Yao-chang, 314, 419*n*
 Lo Cho-ying, 176
 Lo Jui-ching, Gen., 521
 Lo Jung-heng, 122
 Lo Jung-huan (Lo Jun-huan), 688, 703
 Lo Lung-chi, 150, 352, 562-563, 630
 Lo Pin-ch'i, 302
 Lou Pang-yen, 147, 187
 Lovett, Robert A.: Bullitt comments on Marshall Mission to China, 475; coalition government including Chinese Communists, U.S. policy regarding, 650-651; Dairen, U.S. consulate at, 793, 796-797, 802-803, 805-806, 808; evacuation of Americans from China, 53*n*; military aid and assistance to China, 178*n*; military situation in China, 477, 545, 652-653; Nanking, U.S. plans regarding possible move of Chinese Government from, 658-659, 850-851, 853-854, 859; peace negotiations between the Chinese Government and the Chinese Communists, U.S. policy regarding, 681-682; political situation in China, 633; protection of American lives and property, 632; Soviet Ambassador in China, inquiry regarding activities of, 591-592; Taiwan, proposal for trusteeship over, 604; United Nations, possible referral of China question to, 581; U.S. arms and ammunition captured by Chinese Communists, 4; U.S. consular posts in Chinese Communist areas, question of retention of, 809, 811, 820-821, 825-827; U.S. Consulate General at Mukden, efforts to re-open communications with, 836-842, 844-845, 849; U.S.I.S. programs in China, 539, 573-575; U.S. policy toward China, 511-517, 518*n*, 561-562, 566, 580, 588-591, 603, 704; U.S. Service Attaché planes in China, restrictions on, 748-749
 Lu Cheng-ts'ao, Gen., 201
 Lu Han, 498*n*, 551*n*
 Lu Ting-yi, 29
 Lu Yi-peng, 184
 Ludden, Raymond P., 10, 43-45, 374-375, 411, 425, 446-448, 541, 550-551, 858, 860
 Lung Yun, Gen., 302, 348, 352-353, 365, 436
 Ma Chan-shan, Gen., 99, 105-107, 116-117, 148, 343, 536
 Ma Chang-hsiang, 498*n*, 547*n*, 645*n*, 750, 752, 754
 Ma Hsu-lun, 491, 630
 Ma Hung-kuei, Gen., 149, 331, 365, 498*n*, 504, 536, 538, 547*n*, 645*n*, 719
 Ma Hung-pin, 498*n*, 547*n*, 645*n*
 Ma Man-fei, 630
 Ma Pu-ching, 498*n*, 547*n*, 645*n*
 Ma Pu-fang, 498*n*, 547*n*, 645*n*, 754

- MacArthur, General of the Army Douglas A., 516*n*, 602*n*, 608
- Maloy, Capt., 66
- Mao Tse-tung: Address to Shansi Liberated Area's cadres, *Apr. 1*, 284-285; agreement with Chiang Kai-shek, *Sept. 1945*, 138; anti-American stand, 31, 546, 696; article commemorating thirty-first anniversary of Bolshevik revolution, *Nov. 7*, 594, 631-632, 637; cease fire proposal, 690; Chiang Kai-shek, attitude toward, 632; Cominform resolution against Yugoslavia, attitude toward, 442; Li Chi-shen, reports regarding relationship with, 410, 493, 496, 509; Li Lisan, reports regarding differences with, 442, 656; military strategy, 94, 127, 257, 341, 378, 467, 656, 665; New Democracy, announcement of (*1945*), 239; policies and objectives, 546, 593-594, 631-632, 700; political leadership, 20, 192, 341, 401, 431, 441; report to the 7th National Congress of the Chinese Communist Party, *Apr. 1945*, 29; Soviet Union, attitude toward, 353, 387, 546, 594, 631-632; speech, *Dec. 12, 1947*, regarding conduct of Chinese Communists, 457; speech, *Jan. 1948*, 20; statement, *Dec. 25, 1947* to Central Committee of the Chinese Communist Party, 9-10, 28-31, 42, 79, 334, 631-632; statement in *New Democracy* regarding "democratic Republic of China," 334; student attitude toward, 267; Tu Kung faction, leadership of, 213; visit to Dairen, reported, 799; World War II, priority to Allied invasion of Europe over Pacific war, 695-696; Yen-an clique, 200
- Mao Tun, 309
- Marshall, George C.:
- Anti-American feelings in China, 68, 70, 72, 260, 266-268, 278-280, 292, 310, 328, 600
 - Anti-British demonstrations in Canton and Shanghai, 46-50, 52-54, 66
 - Anti-Chinese sentiments of, Bullitt charges regarding, 237-238
 - Anti-Communist measures by Chinese Government, 421, 426-430
 - Anti-conscription campaign in China, 166, 169
 - Army Advisory Group (U.S.), 129
 - Arrests of Communist agents in Shanghai, 165, 168
 - Arrests of students in Peiping and Tsientsin, 420-421, 425-426, 440-441
 - Bullitt visit to China, 237
 - Chang, Carsun, correspondence with, 325-326, 567-569
 - Chen Li-fu: Conversation with, 361-362; memorandum from, 369-372
 - Chiang Kai-shek: Political leadership and position of, 292, 373, 625, 651; retirement of, question regarding, 687, 689-690, 697, 705; U.S. advice to, 288
 - Chiang Kai-shek, Mme., visit to the United States by, 609
 - Chinese Communist Party: Attitude toward foreigners, 816; attitude toward missionaries, 679; North China Bureau, 383; political objectives and policies, 377, 637; United States, attitude toward, 598, 602; war criminals, list of, 697
 - Chinese Communists:
 - Areas controlled by: Conditions in, 162, 458; proposal for visit by U.S. consular officers, 84, 86
 - Coalition government, attitude toward, 150
 - Foreign correspondents, attitude toward, 723
 - Missionaries, attitude toward, 418
 - Mukden, occupation of, 571
 - North China People's Government, establishment of, 449, 454, 556
 - Policies and objectives of, 18, 28, 239, 244, 270, 283, 430, 462-463, 546, 597, 631, 660
 - Political factions in Manchuria, 426
 - Chinese Government: Attitude toward the United States, 61-62, 544; foreign policy of, 193
 - Civil Air Transport (CAT): Incident of *Mar. 8*, 171, 184, 186; operations by American pilots, 35, 37, 97
 - Civil unrest in Chinese Government areas, 359
 - Coalition government including Chinese Communists, 138-143, 149-150, 544-545, 597-598, 656, 680
 - Cominform resolution against Yugoslavia, 333, 346, 399, 441
 - Communist International, relationship of Chinese Communists to, 397
 - Dairen: Soviet role in, 402, 404; U.S. consulate at, 787-788, 790-808
 - Hong Kong, future status of, 63
 - Inauguration of President and Vice President of China, 232, 240, 251
 - Japanese arms and munitions, turnover to Chinese Government, 709
 - Kuomintang, future status of, 237, 397
 - Kuomintang Revolutionary Committee in Hong Kong, 10, 235, 312, 336, 339, 348, 353, 357-358, 363-364, 410, 495, 509, 630

Marshall, George C.—Continued

- Legislative Yuan, 465, 509, 542, 666, 687
- Li Chi-shen, activities of, 257, 368, 721
- Li Tsung-jen, activities of, 368, 528, 569
- Mao Tse-tung statement of *Dec. 25, 1947*, 9
- Mediation efforts (1945-1947), failure of, 79, 86, 126-127, 138-139, 142, 149, 175, 245, 369-371, 475-477
- Military advice and assistance to Chinese Government, 178*n*, 214, 422
- Military situation in China, 1, 8, 22, 26, 36, 65, 85-86, 93, 95, 97, 103, 106, 113-116, 121-122, 127, 143, 152-153, 167, 171, 180, 189-190, 214, 246, 253, 256, 259, 265, 272, 276, 282, 291, 303, 310, 317, 340, 348, 355, 362, 373, 376, 412, 419, 437, 445, 457, 459, 463-465, 467-470, 473-475, 477, 480-482, 484-488, 492, 495, 500-504, 508, 512, 517, 520-524, 527-532, 534, 537-538, 543, 547-548, 550, 556-558, 561, 580-581, 587, 592, 602, 606, 609, 623-624, 627, 634, 638-641, 643, 645, 647-648, 653, 657-658, 665, 667, 672, 680, 688-689, 691, 699, 704, 722-723, 726
- Mongolia, 243
- Nanking, question regarding possible removal of Chinese Government from, 850-851, 854-860
- National Assembly, 169, 187, 195, 669
- Nonaggression pact between China and the Soviet Union, extension of, 107
- Peace negotiations, reports on, 663, 681, 698
- Political Consultative Conference (1946), drafting of, 519
- Political situation in China, 16-17, 25, 36, 43, 56, 70, 73, 75-76, 83-84, 87, 91, 121, 128, 131-132, 147, 154, 156, 161, 163, 173-174, 177-178, 181-182, 184, 192-195, 202, 204-205, 207, 209, 211, 221, 223-226, 229-231, 233, 239-241, 247, 255-256, 262-263, 269, 298, 302, 314-316, 318, 331*n*, 334, 344, 355, 365, 374, 376, 379, 384, 396, 400, 402, 405, 412-413, 417, 425, 432*n*, 438, 492, 498, 531, 535, 540-541, 563-565, 579, 583, 597, 604, 607-608, 637, 646, 654-655, 667, 673-674, 677, 686, 694, 721
- President Truman's statement of *Dec. 15, 1946*, drafting of, 519
- Press and radio news conference, *Mar. 10, 138-141*, 143
- Sinkiang, situation in, 729, 731, 733, 749-750, 752, 754

Marshall, George C.—Continued

- Sino-Soviet air agreement (1939), 738-740, 743, 745-747
- Sino-Soviet Treaty of 1945, 343, 445, 451
- Soviet Union: Ambassador in China, activities of, 644; espionage activities, 351-352, 368, 670; Manchuria, activities in, 13, 57, 373, 443, 449; mediation efforts, 56, 112, 117, 122, 133, 145*n*, 374; relations with Chinese Government, 311, 460; Soviet-owned Chinese daily in Shanghai, suspension of, 272; Soviet policy toward China, 21, 88, 100, 281, 315, 326, 387; Soviet protest regarding Chinese Government bombers flying low over Soviet vessels on high seas off Shantung, 189
- Speech, *June*, 651
- Speech at Berkeley, California, *Mar. 19*, 650
- Speech at Los Angeles, *Mar. 20*, 651
- Stuart conversation with Chiang Kai-shek, 420
- Stuart statement to Chinese people, *Feb. 21*, 107, 109, 112
- Student unrest and demonstrations, 64, 72, 183, 224, 271, 275, 291-292, 310, 338, 346, 382, 415, 471, 488, 521, 635
- Taiwan, situation regarding, 584-585, 601, 624, 633, 661
- Tibet, U.S. recognition of Chinese sovereignty over, 761*n*, 764-765, 778, 780
- Tibetan trade mission to the United States, 755-760, 761*n*, 762-764, 766-768, 771-773, 774*n*, 775-776, 778-781, 783, 785-786
- United Nations, possible referral of China question to, 570, 581-583, 591, 636
- U.S. aid to China, 163, 185, 214, 229, 439-440, 521, 562, 638, 709
- U.S. arms and ammunition in Chinese Communist hands, 34
- U.S. consular posts in Chinese Communist areas, policy regarding retention of, 810-813, 815, 817-819, 821-824, 828-829, 832-835
- U.S. Consulate General at Mukden, efforts to re-open communications with, 837-842, 844-849
- U.S.I.S. program in China, 31, 59, 63, 73, 123, 522, 560, 682-686
- U.S. policy regarding communism in China, Chinese Government request for statement on, 580-581
- U.S. policy toward China, 37-38, 149, 388, 408, 414-416, 439-440, 505, 510-518, 525, 544-545, 580-581, 583, 588-589, 610-623, 663, 693, 695, 722

- Marshall, George C.—Continued
 U.S. policy toward China, Chinese Government request for development of a bipartisan, 586
 U.S. Service Attaché planes in China: ban on plane flights west of Lanchow, 734, 741, 747-748; Chinese Government request that Attaché planes be listed under Army Advisory Group, 738, 744
 Wang Shih-chieh, conversation with, 544
 Marshall, George C., Mrs., 176
 Marshall Mission to China (1945-1947), 79, 86, 126-127, 138-139, 142, 149, 175, 200, 245, 250, 369-371, 469, 475-477, 542, 565, 567, 600
 Marshall Plan for China, request for, 369-370, 372
 Marshall Plan for European recovery, 372
 Masaryk, Jan., 150
 Masud Sabri (Mesud Sabri), 732, 752
 McDermott, Michael J., 650
 McKelvey, Delano, 58, 65-66, 86, 93-95
 McKenna, James E., 248-251, 305-309, 321-322, 352-355, 489-491
 Mediation by Big Four (U.S., U.K., Soviet Union, and France), Chinese Government proposal regarding, 694
 Meebold, Louise, 456
 Mei Yi-chi, 678
 Meigan, Bishop, 131-132
 Merchant, Livingston, 235, 851
 Mesud Sabri. *See* Masud Sabri.
 Meyrier, Jacques, 628, 843*n*, 846-847, 850*n*, 851, 854-855
 Miao Pei-nan, Lt. Gen., 53
 Mikolajczyk, Stanislaw, 150
 Military advice (U.S.) to Chiang Kai-shek and military staff, question of, 178, 288-291, 299-300, 330, 422-424, 506, 510, 514, 526, 610, 674, 709, 852
 Military aid and assistance to China (U.S.) (*see also* Military advice, Army Advisory Group, Navy Advisory Group, Joint U.S. Military Assistance Group, and U.S. aid to China), 6, 104-106, 118, 135, 145-146, 154, 160, 214, 356, 381, 390, 409, 422-424, 436, 506, 510, 513, 516, 518, 526, 534, 544-545, 557, 571, 583-584, 607-614, 621, 625, 645, 664, 674-676, 709, 721, 724, 855
 Military situation in China:
 Cessation of hostilities, considerations regarding, 349-350, 352, 357-358, 364, 407, 536, 559, 654-656, 690, 706, 721-722
 Deterioration of, 39, 56, 153-154, 214-216, 288, 289, 291, 294-296, 318, 321, 348-351, 380, 405, 433, 477
 Military situation in China—Con.
 Martial law in Peiping, rejection by Legislative Yuan, 465-466
 Military activities of Chinese Government and Chinese Communist forces in:
 Central China, 11, 153, 171-172, 214-215, 344, 348-349, 478, 550, 580-581, 587, 606, 627-628, 641-643, 653, 688-689
 Manchuria, 1-4, 8-9, 11-12, 16, 20, 22-24, 26-27, 36-37, 40, 58-59, 65-66, 85-86, 88, 90, 92, 94-100, 103-107, 111, 113-118, 121-122, 127-129, 143-145, 152-154, 190-191, 215, 220, 246, 253-254, 256-257, 260, 265, 272-273, 282-283, 295, 303-304, 310, 317, 340-343, 362-363, 373-374, 376-377, 386, 412, 422-423, 435, 445, 453, 457-458, 463, 467-470, 474, 477-479, 486-487, 492, 495, 500-502, 504, 508-509, 512, 515, 520, 522-532, 534, 537-538, 545-550, 555, 571, 579, 726-728
 North China, 89-90, 113, 115, 117, 129, 153-154, 167-168, 172, 180-181, 188-189, 214-215, 241, 245, 276-277, 282-283, 289, 295-296, 317-318, 329, 355-356, 391-395, 405-406, 434-435, 447, 459-460, 464-465, 467-470, 473-475, 477-485, 487-488, 503-505, 515, 517-518, 521-522, 532-536, 538-539, 543, 547-548, 551, 555-558, 561, 577, 579, 592-593, 602, 604-606, 608-610, 623-625, 634-635, 638-640, 643-650, 652-653, 657-658, 665, 667-669, 672-673, 680-681, 689, 691-693, 699-700, 704-705, 722-725
 South China, 82, 551, 566, 642-643
 Military conscription, campaign against, 166-167, 169, 264
 National General Mobilization Act (1947), 18-19, 429
 North China political military conference (Aug. 16-Aug. 22), 419-420, 437-438
 President Chiang's Northeast Headquarters (PNEH), 2, 26-27, 59*n*, 66, 93*n*, 99
 Milligan, L. E., 490
 Mo Te-hui (Mo Teh-hui), 106, 204-205
 Molotov, Vyacheslav Mikhailovich, 281, 446, 451
 Mongolian People's Republic (Outer Mongolia), 96, 112, 118, 194, 243, 311, 329, 582, 591, 595, 622, 751
 Moore, Harley, 37, 97
 Moral Rearmament, 361
 Most-favored-nation treatment, 619
 Muir, R. D., 785

- Mukden: Chinese Communist attitude regarding foreigners in, 828-832, 840, 843-844, 846; Chinese Communist occupation of, 571-573; Chinese Communist seizure of radio transmitter at U.S. Consulate General (*see also* U.S. Consulate General at Mukden), 834-839, 841, 843-844; U.S.L.S. library, Chinese Communist offer of material for, 831-834, 839-840
- Nankai University, 521
- Nanking, question regarding possible removal of Chinese Government from, 641-643, 658-659, 850-860
- Nanking University, 537
- National Advisory Council (U.S.), 362
- National Assembly. *See under* Chinese Government.
- National Cheng Chi University, 636
- National Peking University (Peita), 420-421, 440
- National Resources Commission (NRC), 601
- National Salvation Association, 355, 491, 630
- National Security Council (U.S.), 381
- Naval Advisory Group in China (U.S.), 615, 709
- Newton, Elmer, 82*n*
- Nieh Jung-chen, 503, 533, 592, 643, 647, 649
- Noreen, Emma, 456
- Normal College (Peiping), 420, 440
- North China Bureau. *See under* Chinese Communist Party.
- North China People's Government. *See under* Chinese Communists.
- North China Student Federation, Chinese Government ban on, 183-184, 244
- Northeast Bandit Suppression Forces, 59*n*, 93*n*, 99, 111, 246, 304, 374, 376-377, 401
- Office of War Information (U.S.), 574
- Okamura, Gen. Neiji, 281
- Okudaira, Shiroyu, 322-325
- Old, Rear Adm. Francis, 471
- Osman, Bator, 732, 750-751
- Outer Mongolia. *See* Mongolian People's Republic.
- Pacific Trust Territory, 619
- Paddock, Paul E., Jr., 404, 449*n*, 787-788, 790, 792, 794-797, 799-805, 807-808, 844
- Pai Chung-hsi (Pai Ch'ung-hsi), Gen., 121, 127, 206-208, 241, 247, 259, 291, 298-299, 317, 337, 365-366, 386, 401, 411, 536, 539, 547, 550, 568, 587, 630, 645, 689, 706, 719, 722
- Pai Lang, 177
- Pakistan, 729-730, 733
- Pan Han-nien, 847
- Pan Kuang-tan, 147
- Pan Kung-chan, 55
- P'an Tzu-kang, 270
- Pangdatshang (Rinshi Pangdatshang), 775, 782
- Panyushkin, Alexander S., 282
- Pao Erh-han. *See* Burhan.
- Parkhouse, Mr., 47
- Patch, Isaac, Jr., 402-404, 795
- Paul Yu-pin, Bishop, 162
- Paxton, J. Hall, 729-731, 733, 739-740, 749-754
- Peace negotiations between the Chinese Government and the Chinese Communists, considerations regarding possible resumption of, 101, 108-109, 113, 134-135, 150, 409, 425, 431, 438, 450-451, 494, 496, 536, 550, 552, 556, 559, 564-565, 598, 639, 654, 663-665, 667, 678-679, 681-682, 688, 690, 694, 698-699, 706-707, 721-722, 724-725
- Peace Preservation Corps, 12, 121, 136, 480, 624, 668, 751
- Peasants and Workers Democratic Party, 491, 630
- Pei Tsu-yi, 69, 72
- Peiping Student Union, 328
- Peiping Union Medical College (PUMC), 659
- Peita University. *See* National Peking University.
- Peiyang University, 278, 521
- Peking University, 293
- Peking National University, 293
- Peng Chao-hsien, 314, 360, 374, 377
- P'eng Teh-huai, Gen., 20, 653, 697
- People's Liberation Army (Chinese Communist): Activities of, 29, 121, 468, 482-486, 500-501, 521-522, 527, 532, 546, 576, 599, 667-668, 688-689, 691, 700-703, 816, 835; manifesto of, 18-20; North China military area, 383; war criminals, warning to, 113-114
- People's Political Council (PPC), 25
- Peurifoy, John E., 362
- Picard, Mr., 810
- Pilcher, James, 35, 37, 97, 275-276, 278-280, 316-317, 325-326
- Po Yi-po, 454
- Poland, 696
- Policy Planning Staff of the Department of State, 381
- Political Consultative Conference (PCC): Meetings of (1946), 138-139, 270, 369; resolutions (1946), 307, 390, 507, 519; resumption of, question of, 329, 337, 348, 357-358, 411, 495; resumption of in Chinese Communist area, question of, 329, 355, 410, 443, 450, 469, 473, 490-491, 496, 629-630, 642, 721
- Political Science Group. *See under* Kuomintang.

- Political situation in China (*see also* Chiang Kai-shek, Chinese Communist Party, Chinese Communists, Chinese Government, Kuomintang, and Kuomintang Revolutionary Committee in Hong Kong), 10-13, 16-18, 25-26, 36-40, 43-45, 55-56, 70-71, 73-79, 83-85, 87-88, 91-93, 121, 126, 128-137, 147-148, 154-165, 173-178, 181-182, 184-186, 192-195, 202-205, 207, 209-211, 216-221, 223-226, 229-235, 239-242, 247, 251-253, 255-256, 262-263, 269, 294-303, 314-316, 318-321, 325-326, 331-336, 344-345, 355, 365-368, 374-376, 379-381, 384-387, 396-397, 400-402, 405-414, 417, 425, 432-439, 492-495, 498-500, 513-514, 531-532, 535-537, 540-542, 550-556, 563-569, 576-580, 583, 597, 604, 607-608, 628-629, 633, 637, 646-647, 654-656, 665, 667, 673-677, 686, 694, 721-722
- Political tutelage under Kuomintang, termination of, 151, 198, 372
- Port Arthur: Incident *Mar. 8* regarding firing on Civil Air Transport plane, 171, 184, 186; status of, 194
- Potsdam Declaration, *July 26, 1945*, 280, 293, 510
- Pott, Mr., 489
- President of China. *See* Chiang Kai-shek and under Chinese Government.
- Protection of American lives and property: Areas controlled by Chinese Communists, 8; evacuation program, 53, 276, 288-289, 509, 577, 821-824; 852; Manchuria, 811, 826-828; Nanking, 658-659; North China, 11, 632, 649, 673; U.S. policy regarding, 53, 55, 703; U.S. troops for, question of, 649
- Pu I-po, 556
- Pu Tao-ming, 740, 742
- Public Law 512 (U.S.), 615
- Railway College (Peiping), 420
- Ratna, 755, 775, 781-782
- Recognition of new government in China, considerations regarding, 659, 703-704
- Reconstruction Survey Mission of the Economic Cooperation Administration (U.S.), 356
- Relief program for China, 8, 126
- Rice, Edward E., 29n
- Rinden, Robert, 443-445, 449, 453, 457-458, 463, 469-470
- Ringwalt, Arthur R., 29-31, 131-132, 145-146, 178-180, 212-213
- Rinshi Pangdatshang. *See* Pangdatshang.
- Roosevelt, Eleanor, 330
- Roosevelt, Franklin D., 150n, 152, 293n, 767, 771
- Roschin, Maj. Gen. N. V., 21, 39, 56, 85, 101, 112, 117, 134, 159, 174, 220-221, 274, 281-282, 360-361, 377, 387, 445, 450-452, 460, 559, 564, 591-592, 627, 644, 741n
- Royall, Kenneth C., 282, 516
- Rural Reconstruction program, 38, 239, 300-301, 390, 417, 614
- Rusk, Dean, 581-583
- Sa K'ung-liao, 80, 83
- Saint John's University, 260-261, 267, 271, 275, 489
- San Min Chu I Comrades Association, 491
- San Min Chu I Youth Corps. *See under* Kuomintang.
- Schultheis, Frederic D., 10, 248-250, 259, 331
- Sebald, W. J., 279n
- Senate (U.S.), 619
- Senate Foreign Relations Committee (U.S.), 513
- Seregin, Sergei S., 144-145
- Service, Richard M., 126, 182-183, 248, 250-251, 259, 305, 309, 321, 336-337, 339, 352, 354-355, 357, 363, 490, 575, 812, 847
- Shakabpa. *See* Tsepon Shakabpa.
- Shameen incident. *See* Anti-British demonstrations, etc.
- Shang Chen, 155
- Shang Yueh, 454
- Shanghai College of Law, 267-268, 441
- Shanghai University, 280
- Shao Li-tse (Shao Li-tzu), 39, 56, 78-79, 101, 117, 147, 608, 654, 666, 687
- Shen, C. H., 192, 213, 460
- Shen, S. S., 121
- Shen Chang-huan, 678
- Shen Chun-ju, 490-491, 630
- Shen Hung-lieh, 314
- Sheng Shih-tsai, Gen., 752
- Shipping on inland waterways, Chinese ban on foreign, 619-620, 634
- Shipton, Eric Earle, 730
- Siebens, Allen C., 13-16, 22-24, 57-58, 95-96, 103, 198-202, 322-325, 809-811
- Sinkiang:
- Chinese Government control over and policies toward, 732, 754
- Ili group, activities of, 731-732, 749-753
- Neutrality of, proposal regarding, 753
- Relations with Moslems of Afghanistan, Iran, Pakistan, and Turkey, reports regarding, 729-731, 733
- Sino-Soviet air agreement, *Sept. 9, 1939*, Chinese Government notice of termination of, 451, 734, 737-743, 745-747, 750-751, 753-754

- Sinkiang—Continued
 Sino-Soviet Airline Corporation, 742-743; meeting of Board of Directors, 739, 741-742, 747, 753
 Soviet policy regarding, 194, 260, 311, 622, 749-750
 Trade agreement with Soviet Union, proposal for, 730, 751
 Sino-American Anti-Communist Pact, proposal for, 164
 Sino-Soviet Association of Friendship and Amity, 57
 Sino-Soviet treaty of *Aug. 14, 1945*, questions regarding implementation of, 186-187, 194, 311-312, 343-344, 445-446, 450-451, 510, 582, 590, 622, 634, 644
 Smith, Walter Bedell, 9-10, 107, 122-123, 281, 315, 326-327, 333-334, 656-657, 680, 731, 787, 791-793, 805-806, 841, 845, 848
 Smyth, Robert L., 335-357, 425-426, 459-460, 465, 475, 482, 484-485, 487, 503, 517-518, 521, 534-535, 556-557, 609, 624-625, 632, 634-635, 638-639, 649-650, 672-673, 680-681, 691-693, 704, 849
 Snyder, John W., 780
 Socialist Party, 149
 Soong Mei-ling. *See* Chiang Kai-shek, Mme.
 Soong, T. V.: Anti-British demonstrations in Canton, 52-53, 67, 68; Chiang Kai-shek, attitude toward, 375, 402, 551, 566; Chinese Communist demand for confiscation of property of, 19; Chinese Communist list of war criminals, inclusion on, 719; Governor of Kwangtung Province, 176, 241, 462, 498, 550, 566; Kuomintang Revolutionary Committee in Hong Kong, relationship to, 194-195, 223, 331, 368, 410; Li Tsung-jen's candidacy for Vice President, attitude toward, 149; military situation in China, 550-551, 566; military training program in South China, 234; political, economic, and military program in Kwangtung Province, 80, 82, 130, 135, 158, 329-330, 333, 345, 402, 448; political situation in China, 374-375, 402, 425, 439, 550-551, 565-566; President of Executive Yuan, considerations regarding possible appointment as, 242, 247, 251-252, 255-256, 541; resignation from Presidency of Executive Yuan (1947), 176; United Nations, possible referral of China question to, 570; U.S. policy toward China, 722
 Soule, Brig. Gen. Robert H., 54, 127, 265*n*, 557*n*, 734*n*, 735, 744*n*
 Soviet-American war: Chinese Communist attitude toward, 271; Chinese Government attitude toward possibility of, 21, 39, 56, 77, 177-178, 301, 452, 460-461, 544, 605, 622-623, 626; question regarding, 216, 282, 300, 451, 462, 577, 708
 Soviet Union (*see also* Sino-Soviet treaty of *Aug. 14, 1945*, and under Chinese Communist Party, Chinese Communists, and Sinkiang):
 Ambassador in China (Roschin), enquiry regarding activities of, 591-592, 644
 Chiang Kai-shek, attitude toward, 21, 388
 Constitution of 1936, 679
 Démarche by the United States regarding Soviet policy toward China, proposal regarding, 102-103
 Espionage activities in China, reports regarding, 351-352, 368, 670-672
 Expansionist aims of, 676
 Manchuria: Behavior of Soviet troops in, 85, 343; Korean troops, allegations regarding Soviet utilization of, 590; Japanese arms and munitions, reported turnover to Chinese Communists, 709; Japanese troops, question regarding retention of, 57; protection of Soviet citizens in, 85-86; re-entry of Chinese Government troops into, Soviet efforts to obstruct, 582, 590; Soviet actions and influence in, 8, 13-16, 95-96, 145, 372-373, 443-445, 449, 622; Soviet aid to Chinese Communists, reports regarding, 36, 111, 322-325, 582, 590; Soviet rights in Manchuria, 627; withdrawal of Soviet forces from (1946), 14, 311, 590
 Mediation role, proposals regarding, 77, 79, 85, 87, 101, 112, 117-119, 122-123, 129, 133-136, 145-146, 159, 174, 274, 360-361, 374, 564, 623, 627, 644
 New Economic Policy (NEP), 1921, 287-288, 595
 Press censorship in, 723
 Relations of Chinese Government with, 186-187, 194, 311-312, 400, 438, 452-453, 460-462, 540, 622, 710, 735, 738-739, 789
 Situation in, 523
 Soviet-owned Chinese daily in Shanghai, suspension of, 272
 Soviet policy toward China, 9-10, 15-16, 21, 39-40, 51-52, 56-57, 88-89, 100-103, 112, 281-282, 315, 326-327, 360-361, 374, 377-378, 387-388, 446, 450, 579, 644

Soviet Union—Continued

- Soviet protest regarding Chinese Government bombers flying low over Soviet vessels on the high seas off coast of Shantung, 189-190
- Sproul, Allan, 775
- Sprouse, Phillip D., 79, 151-152, 703-704, 759-760, 762-764, 768-769, 776, 779, 781, 786, 843
- Stalin, Iosif Vissarionovich, 42, 150_n, 444, 476, 546
- Steele, Arch T., 539
- Stevenson, Sir Ralph, 63-64, 855_n
- Stillman, Charles, 356-357
- Stilwell, Lt. Gen. Joseph W., 151, 425, 446
- Stimson, Henry L., 140_n
- Strong, Robert C., 180-182, 189, 276, 391-395, 623-625, 667-669
- Stryker, Gerald, 167-168
- Student unrest and demonstrations, 64-65, 72-74, 84-85, 183-184, 197-198, 224, 266-268, 271-272, 275-276, 278-281, 291-294, 296, 310-311, 338-339, 346, 349, 382, 385, 415-416, 427-430, 471-473, 488-489, 521, 635-636
- Stuart, J. Leighton:
 - Anti-American attitudes, 70, 72-73, 310-311, 328-330, 600-601
 - Anti-British demonstrations, 53-55, 63, 66-68
 - Anti-Communist measures, 421-422, 426-430
 - Bullitt visit to China, 237-238
 - Cheloo University, 276
 - Chiang Kai-shek: Conversations with, 163-165, 184-186, 225-226, 255, 288-289, 365-368, 417-418, 420; correspondence with, 174-175; political leadership of, 292, 373, 625-627, 651-652; possible retirement of, 689-691, 697-698, 704-707
 - Chiang Kai-shek, Mme., visit to the United States, 609-610, 626
 - Chinese Communism, appraisal of, 40-43
 - Chinese Communist Party: List of war criminals, 697, 718-720; North China Bureau, 383-384
 - Chinese Communists:
 - Areas controlled by: Conditions in, 455, 458-459; proposed visit to by U.S. consular officer, 84, 86-87
 - Coalition Government, attitude toward, 150
 - Factions within, 198, 637
 - North China People's Government, 449-450, 454
 - Policies and objectives of, 28-29, 202-203, 239, 244-245, 270-271, 283-288, 377-378, 430-432, 462-464, 593-597, 631-632, 637, 679, 700-703, 723

Stuart, J. Leighton—Continued

- U.S. attitude toward, 119-121, 598-599, 602-603, 812
- Chinese Government: Attitude toward the United States, 61-62, 544; foreign policy of, 193-194
- Civil Air Transport incident of *Mar.* 8, 171, 184, 186-187
- Coalition government including Chinese Communists, attitude toward, 150, 415, 431, 505-506, 508, 511, 518, 525, 544-545, 566, 569-570, 588, 597-598, 603
- Cominform resolution against Yugoslavia, 346-347, 397-400, 441-442
- Dairen: Soviet role in, 402-404; U.S. consulate at, 788-790, 798-799
- Executive Yuan: Activities of, 314-316; appointment of, 223, 225-226, 247, 255-256, 269, 665-667, 672-674, 677-679, 686-687; President of, 563, 583, 597, 607-608, 654; proposal regarding War Cabinet, 604
- Hong Kong, future status of, 63-64
- Inauguration of President and Vice President, 232, 240, 251
- Inner and Outer Mongolia, 243
- Kuomintang, reform of, 397
- Kuomintang Revolutionary Committee in Hong Kong, 10, 80, 182, 235-236, 248, 251, 312-314, 321, 336-339, 348, 352-354, 357-359, 363-365, 368-369, 410-411, 489, 495, 509, 575, 586
- Legislative Yuan, 226-229, 239-240, 315-316, 465-466, 509-510, 542-543, 666-667, 687
- Li Chi-shen, appraisal of, 257-259, 305
- Li Tsung-jen, 121, 177-178, 528, 569-570
- Marshall Mission to China (1945-1947), 126-127
- Mediation efforts, 1946-1947, failure of, 79, 371
- Military advice to Chiang Kai-shek and military staff, 288-290, 299
- Military aid and assistance to China, 178, 422-424
- Military situation in China, 85-86, 153-154, 171-172, 214-216, 265-266, 282-283, 289, 291, 317-318, 348-351, 422-423, 453, 467-468, 473-474, 477-486, 492-493, 500, 502-503, 520, 527, 543, 545, 550, 557-561, 580-581, 587, 627-628, 641-643, 645-646, 649, 688-689, 722
- Nanking, question regarding possible transfer of Chinese Government from, 658, 850-860
- National Assembly, 169-170, 174, 187-188, 195
- Peace negotiations, 663-664, 681, 698

Stuart, J. Leighton—Continued

- Political situation in China, reports on, 16-18, 25-26, 36, 43-45, 70-71, 76-78, 83-85, 87-88, 126, 128-131, 136, 147, 154-157, 161-165, 173-178, 182, 184-186, 192-193, 195, 202-204, 230-235, 240-242, 251-253, 298-301, 318-321, 325-326, 344-345, 379, 402, 405-414, 438-439, 492-495, 498-500, 540-542, 564-565, 655-656, 674-677, 694, 721-722
- Sinkiang, situation in, 733
- Sino-Soviet air agreement (1939), 738, 740-743, 745-747, 753
- Sino-Soviet treaty of *Aug. 14, 1945*, 343-344, 445-446, 450-451
- Soviet Union: Espionage activities in China, 351, 368; Manchuria, Soviet activities in, 322, 372-373; mediation role, 112, 117-119, 133-136, 360-361, 374; relations of Chinese Government with, 311-312, 460-462; Soviet Ambassador, activities of, 591, 644; Soviet policy toward China, 21, 56-57, 281-282, 374, 387-388, 519; Soviet protest regarding Chinese Government bombers flying low over Soviet vessels on high seas, 189-190
- Statement to Chinese people, *Feb. 21*, 107-113, 128, 130
- Statement to students, *June 4*, 275, 280, 293, 301, 328
- Student unrest and demonstrations, 275, 310-311, 471-473, 635-636
- Taiwan (Formosa): Question regarding transfer of U.S. Military Advisory Group to, 584-585; U.S. policy regarding, 661-662
- Tibetan trade mission, 757-761, 764, 766-769, 772, 778
- United Nations, possible referral of China question to, 570-571, 636
- U.S. aid to China, 110, 163-165, 229, 275, 521, 638
- U.S. arms and ammunition reported in Chinese Communist hands, 4, 34
- U.S. consular posts in Chinese Communist areas, policy regarding retention of, 809-815, 817-825, 827, 832, 834-835
- U.S. Consulate General at Mukden, efforts to re-open communications with, 836-842, 846-849
- U.S.I.S. program in China, 59-61, 63, 73, 123-125, 522-523, 539, 560, 573, 682-686
- U.S. policy toward China, 37-40, 60, 110, 113, 388-390, 408-410, 414-416, 439, 505-508, 510-512, 518-519, 525-527, 544-545, 566, 569, 583, 588, 597-598, 611, 693-697, 722

Stuart, J. Leighton—Continued

- U.S. Service Attaché planes in China: Ban of flights west of Lanchow, 734-737, 741-742, 747-748; Chinese Government request that Attaché planes be listed under Army Advisory Group, 738-739, 743-745
- Vice President of China, election of, 203-209, 211-213, 221-223
- Styles, Francis H., 488-489
- Su Ping-wen, Gen., 530-531, 536*n*
- Su Yu, Gen., 483-486
- Sui Chin-min, Gen., 10
- Sun Fo: Chiang Kai-shek, attitude toward, 663; Chinese Communist list of war criminals, inclusion on, 719; elections to Legislative Yuan, 227; peace negotiations with Chinese Communists, 101, 663-664, 698; President of Executive Yuan, 607-608, 633-634, 637-638, 647, 654, 666-667, 673, 675, 678, 686-687, 705; President of Legislative Yuan, 239, 242, 466, 667, 678; role in post-Chiang regime, considerations regarding, 630; Soviet Union, attitude toward, 634; United States, attitude toward, 159, 633-634; U.S. aid and assistance, 634; U.S. military aid, 608; Vice Presidency, candidacy for, 155-156, 177, 193, 197, 204-208, 212, 217-219, 221, 228
- Sun Li-jen, Lt. Gen., 234, 446-448, 481*n*, 533, 719
- Sun Lien-chung, Gen., 365
- Sun Pao Kang, Gen., 411
- Sun Tu, Gen., 314, 453
- Sun Tun, 419
- Sun Yat-sen, 126-127, 183, 198, 222, 249, 306, 313, 338, 398, 579, 626, 677
- Sun Yat-sen, Mme., 148
- Sun Yuan-liang, 688
- Sun Yueh-chi, 147, 269
- Sung Ch'in-ling, 303
- Sung Hsi-lien, Gen., 732, 751
- Sung Shao-wen, 556
- Supreme Commander, Allied Powers, Japan (SCAP), 516, 602
- Surkang. *See* Unda Surkang.
- Taber, John, 293
- Tai Chi-tao (Tai Chuan-hsien), 155, 719
- Tai Kwei-sheng (Sir Chak Chen), 678
- Tai Li, 687
- Taiping rebellion, 177
- Taiwan (Formosa):
 - Autonomy movement in, 601-602
 - Chiang Kai-shek retirement to, possibility of, 850
 - Chinese Air Force movement to, 857
 - Chinese Navy movement to, 854, 857
 - National Government transfer to, reports regarding plans for, 585, 601, 633, 661-662, 707, 853-854

- Taiwan (Formosa)—Continued
 Refugees in, considerations regarding, 115, 129, 624, 633, 642, 661-662
 Sovereignty over, question of, 854
 Trusteeship over, proposal for, 602, 604, 662
 U.S. Military Advisory Group, questions concerning transfer to, 584-585, 602, 662
 U.S. policy regarding, 604, 661-662
 Takdak Pandita Hothokthu (Regent of Tibet), 766-770, 772, 773*n*, 774-776, 778
 Talat Musa Bayev, 730, 751
 Tan P'ing-shan, 490-491
 Tan Shao-hwa, 767-769, 772, 779
 Tang En-po, Gen., 581, 719
 Tang Tsung, 147
 Tani, Teiichiro, 322
 Tao Hsi-sheng (Tao Hsi-sheng), 400, 538-539, 606, 719
 Tao Meng-huo, 147
 Taylor, L. K., 35
 Teng Hsi-hou, Gen., 302, 365
 Teng Pao-shan, 725
 Teng Wen-yi, Gen., 253
The Stilwell Papers, 446
 Thomas, Brig. Gen. Charles E., 743*n*, 744
 Thompson, Charles O., 756
 Three People's Principles (San Min Chu I), 43, 312, 320, 338, 427, 430, 579, 626
 Tibet:
 Gold and silver from the United States, request for purchase and export of, 773-775, 778-780, 782-783
 Loan of \$2 million for purchase of gold, request for, 781-786
 U.S. recognition of Chinese sovereignty over, 362, 759-767, 770, 778, 780, 783-784
 Tibetan trade mission to the United States, 362, 755-786
 Tickvinsky, Sergei L., 88
 Ting Chieh-pan, 277
 Ting Yi, 454
 Tito, Marshal (Josip Broz), 353, 366, 374, 399, 501, 578*n*, 596, 631*n*, 713
 Tolstoy, Ilya, 767, 771
 Tong, Hollington K., 61-62, 70, 72, 147, 171-172, 269, 437, 678, 743
 Touchette, Joseph I., 338-339, 346, 419-421, 437-438, 440-441, 455-457, 468-469, 474
 Treaties, conventions, and agreements:
 Agreement establishing the United States Educational Foundation in China, *Nov. 10, 1947*, 51*n*, 125*n*
 Economic assistance agreement between the United States and China, 614
 Treaties, conventions, and agreements—Continued
 General Agreement on Tariffs and Trade (GATT), *Oct. 30, 1947*, 618-619
 Havana Charter for an International Trade Organization, 619
 Nonaggression pact between the Soviet Union and China, *Aug. 21, 1937*, extension of, 107, 123
 Sino-Soviet air agreement, *Sept. 9, 1939*, 734, 738, 741-743, 747-748
 Sino-Soviet treaty of *Aug. 14, 1945*, 186, 194, 311-312, 343, 445-446, 450, 582, 590, 622, 634, 644
 Treaty of friendship, commerce, and navigation between the United States and China, *Nov. 4, 1946*, 618-619
 Yalta Agreement, *Feb. 11, 1945*, 150, 542, 600, 709
 Trone, S.A., 387
 Truman, Harry S.:
 Chiang Kai-shek, correspondence with, 588, 599, 626
 China aid program, 362
 Coalition government in China including the Chinese Communists, attitude toward, 141-142, 545
 Dalai Lama: Letter from, 766-770, 772-773, 776; photograph from, 764, 766-767, 770, 773; photograph to, 785
 Japan, terms of surrender for, 280*n*
 Marshall Mission to China, purpose of, 142
 Message regarding economic and military assistance to Greece and Turkey, *Mar. 12, 1947*, 722*n*
 Military situation in China, 543*n*, 556*n*, 558*n*, 587*n*
 National Assembly of China, message from, 669-670
 Political situation in China, 564*n*
 Press and radio conference, *Mar. 11, 1947*, 141-143, 149-150, 603
 Reelection as President of the United States, 238, 545
 Statement of moral support for National Government of China, proposal for, 583
 Statement of U.S. policy regarding communism in China, Chinese Government request for, 580-581, 588
 Statement of U.S. policy toward China, Chiang Kai-shek request for, 588
 Statement on China policy, *Dec. 15, 1945*, 138, 141-143, 519
 Student protesters' letter to, 310
 Takdak Pandita Hothokthu, Regent of Tibet, letter from, 766-770, 772, 773*n*, 774, 776, 778

- Truman, Harry S.—Continued
 Tibetan cabinet ministers, letter from, 773*n*, 774, 778
 Tibetan trade mission, Chinese Government opposition to request for appointment, 764–773, 778–779
 United Nations, possible referral of China question to, 591
 U.S. Marines in Tsingtao, 561
 U.S. policy toward China, 505, 518*n*, 519, 562, 581, 589
 U.S. policy toward China, Chinese Government request for development of a bipartisan, 586
 Wedemeyer Report, 142
 Tsai Ting-kai (Ts'ai T'ing-k'ai), Gen., 21, 80–83, 194–195, 306, 312, 364, 490–491, 509, 575–576, 630
 Tsao Kun, Marshal, 206
 Tseng Ch'i, 720
 Tseng Yu-hao, 80
 Tsepon Shakabpa, 755–756, 759, 761–762, 770–780, 782–786
 Tsiang, Tingfu F., 580–583, 586–588
 Tsinghua University, 420, 426, 647–648
 Tso Shun-sheng, 269
 Tsou Tso-hua, 106
 Tsui Tswen-ling, 759–760, 763–766, 776, 781, 784, 786
 Tsur, Y. T., 269
 Tu, 260–261, 267, 271, 275
 Tu Chieh-shih, Lt. Gen., 357*n*, 419*n*, 534–535, 635*n*
 Tu Li-ming (Tu Yu-ming), Gen., 98, 335, 447, 485, 502–504, 515, 688, 720
 Tu Pin-ch'eng, 302
 Tu Yu-ming. *See* Tu Li-ming.
 Tu Yueh-sheng, 74, 92
 Tuan Mu-kai, 678
 Tung Chi-wu, Lt. Gen., 419*n*
 Tung Kuan-hsien, 147, 687
 Tung Lin (Tung Ling), 736–740
 Tung Pi-wu., 454, 556
 Tung Wen-chi, 396, 529
 Tungchi University, 64–65, 72, 84
 Turkey, 731, 733
 Turner, William Taylor, 180–181, 276–278, 464–465, 470–471, 480, 488, 623, 821–822, 824–825
 Unda Surkang, 770–771, 775
 Underwood, Col. George V., 567
 United Democratic Army (UDA), 137
 United Kingdom. *See* Anti-British demonstrations, Hong Kong, *and under* Chinese Communists.
 United Nations:
 China question, possible referral to, 103, 570–571, 581–583, 588, 590–591, 636, 666
 Chinese Government's attitude toward, 193, 320, 510
 United Nations—Continued
 Chinese representation in event of change in government, considerations regarding, 704
 Chinese role in, 620–621
 General Assembly, session of, 418, 451, 582–583, 621, 729
 Palestine question, 583
 Security Council: China as permanent member of, 621; China question, possible referral to, 582–583, 589–591, 636
 Trusteeship for Taiwan, proposal for, 662
 Veto, Chinese position on, 312
 United Nations Children's Emergency Fund, 845, 848
 United Nations Commission on Korea, 695
 United Nations Educational, Scientific, and Cultural Organization (UNESCO), conference in Mexico City, 38
 United Nations Relief and Rehabilitation Administration (UNRRA), 5, 13
 United States, relations of Chinese Government with the, 61–62, 193, 320, 510, 540, 542–544, 709–710
 United States advisers to China, 11
 United States aid and assistance to China (*see also* Army Advisory Group, Financial and economic aid, Military advice to Chiang Kai-shek and military staff, Military aid and assistance, *and* Naval Advisory Group), 84, 88, 109–110, 133, 136, 145–146, 155, 163–165, 174–175, 182, 185–186, 188, 193, 210–211, 214, 225–226, 228–229, 232–233, 235, 256, 275, 288, 290, 296, 298, 319–320, 351, 356, 367, 381, 386, 388–389, 398, 415, 417, 425, 436, 439–440, 514, 521, 526, 542, 550, 552, 558, 562–563, 568, 570–571, 576, 583, 585, 588, 596, 602–603, 609, 612–613, 638, 688, 693, 708–709, 713–714, 716–717, 721, 855
 United States Armed Forces at Tsingtao, 19, 561, 599, 709
 United States business interests in China, future prospects for, 715–717
 United States consular posts in areas occupied by the Chinese Communists, 809–836
 Changchun, closure of, 95–96, 809–811
 Mukden (*see also* U.S. Consulate General at Mukden, *infra*, *and under* Mukden, 812–817, 819–821, 825–836
 Tsingtao, proposed retention of, 821–825

- United States Consulate General at Mukden (*see also under* United States consular posts, *supra*, and *under* Mukden), efforts to re-open communications with, 802-806, 827, 829-830, 835-849
- United States Educational Foundation in China, 51, 125
- United States fleet at Tsingtao, question regarding withdrawal of, 544
- United States Information and Educational Exchange Act of 1948 (Mundt bill), 63
- United States Information Service (U.S.I.S.) program in China, 31-34, 51, 59-63, 73, 123-125, 522-523, 539, 573-575, 682-686
- United States Marines in China, 561, 709
- United States mediation in China, U.S. policy regarding, 415, 431, 567, 623
- United States military intervention, questions regarding, 11, 178-180, 282-283, 512-513, 516, 543, 558, 562, 589, 603, 615, 655-656, 695, 708
- United States policy regarding communism in China, Chinese Government request for statement on, 580-581, 588
- United States policy toward China, 6, 13, 32-33, 37-40, 60, 82, 110, 113, 138-142, 149-152, 315, 381, 388-390, 408-410, 414-416, 431, 439-440, 494-497, 505-508, 510-519, 525-527, 544-545, 561-562, 564-566, 568-569, 580-581, 583, 588-591, 597-598, 600, 603, 610-623, 628, 638, 650-652, 654, 663, 674-676, 693-697, 704, 707-718, 722
- United States policy toward China, Chinese Government request for development of a bipartisan, 586, 588
- United States Service Attaché planes in China: Ban on flights west of Lanchow, 438, 460-461, 734-737, 739, 741-742, 746-749; Chinese Government request that Attaché planes be listed under Army Advisory Group, 438, 738-739, 743-746, 748
- United States Supreme Military Adviser, proposals regarding, 608, 611
- Vice President of China. *See* Li Tsung-jen and *under* Chinese Government.
- Vietnam, 595
- Vladivostok, closure of U.S. consulate at, 787-788, 790-793, 796, 832
- Wallace, Henry A., 267, 444, 457
- Wan Fu-lin, 106, 116
- Wan Yi, Gen., 200-201
- Wang Chia-chen, 530
- Wang Chia-shan, 122
- Wang Chung-hui, 197, 666
- Wang Hsu-ming, 720
- Wang Huan-lin, 201
- Wang Hwa-yi (Wang Hua-yi), 1, 3-4, 99-100, 396
- Wang K'un-lun, 303
- Wang K'un-lun, Mme., 630
- Wang Ling-chi, 352, 498*n*
- Wang Po-hsuen, Gen., 488
- Wang Shih-chieh:
- Ambassador to the United Kingdom, possible appointment as, 687
 - Anti-American feelings in China, 72
 - Anti-British demonstrations in China, 54, 66-68
 - Chinese Communist list of war criminals, inclusion on, 720
 - Chinese Government policy toward the United States, 544
 - Cominform resolution against Yugoslavia, 400
 - Economic reform program, 397
 - Emergency powers for Chiang Kai-shek, 197
 - Executive Yuan, 256, 461, 541
 - Foreign diplomatic mission aircraft, proposed ban on, 745
 - Foreign Minister, reappointment as, 269
 - Hong Kong, future status of, 67
 - Marshall, George C., conversation with, 544
 - Military situation in China, 85-86
 - Political activities of, 193
 - Report to National Assembly, 193-194
 - Sino-Soviet air agreement (1939), 741
 - Sino-Soviet treaty of Aug. 14, 1945, 445-446, 450-451
 - Soviet mediation efforts, 117
 - Soviet Union, relations with, 311-312, 438, 460, 738-739
 - Tibetan trade mission request for appointment to see President Truman, opposition to, 766-767, 778
 - U.S. aid and assistance to China, 185, 638
 - U.S. policy toward China, 570, 638
 - U.S. policy toward China, request for development of a bipartisan, 586, 588
 - U.S. policy toward Japan, 69
 - U.S. Service Attaché planes in China: Ban of flights west of Lanchow, 438, 460-461, 736; request that Attaché planes be listed under Army Advisory Group, 438, 738-739
 - Withdrawal of U.S. consuls from areas under Chinese Communist control, question of, 810
- Wang Shu-chi, 147
- Wang Tieh-han, 529
- Wang Tung-yuan, 314

- Wang Yao-wu, Gen., 158, 180-181, 220, 252-253, 276-277, 331, 345, 365, 381, 386, 464, 471, 473, 484-486
- Wang Yun-wu, 85, 269, 300, 392, 720
- Ward, Angus:
Chinese Communists: Attitude toward foreigners, 816-817; policies and objectives of, 546; political factions in Manchuria, 198-199, 259-260, 426
- Military situation in Manchuria, reports on, 1-4, 8-9, 26-27, 36-37, 65-66, 103-106, 111, 121-122, 127-128, 143-145, 152-153, 190-191, 246, 253-254, 256-257, 260, 272-273, 303-304, 310, 340-343, 362-363, 373-374, 376-377, 412, 474, 486-487, 492, 495, 501-502, 508-509, 512, 522-525, 528-532, 537-538, 548-549, 726-728
- Mukden, Chinese Communist occupation of, 571-573
- North China People's Government, 556
- Political situation in Manchuria, 262-263, 376, 384-387, 396-397, 400-401
- Retention of U.S. Consulate General in Mukden after occupation by Chinese Communists, 815-816, 819-821, 826-830, 833-839, 841-845
- Soviet supplies to Chinese Communists, reports of, 322
- Student unrest and demonstrations, 382, 415-416
- Wedemeyer, Lt. Gen. Albert C., 79, 142, 175-176, 283, 516, 634*n*, 655
- Wedemeyer Mission to China and Korea (1947), 79, 142, 175-176, 634
- Wei Li-huang, Gen., 59, 65-66, 93-94, 98-99, 103-105, 118, 127-129, 144, 158, 190-191, 253-254, 265-266, 273, 340-343, 345, 362-363, 376-377, 385-387, 401, 422, 437, 467, 478-479, 481, 492, 502-504, 522, 524, 528-529, 720, 726-727
- Wei Li-huang, Mme., 522
- Wei Tao-ming, 601, 853-854
- Wei Tao-ming, Mme., 624
- Weigle, Richard D., 628
- Weil, Thomas Eliot, 755
- Wen I-to, 454
- Whampoa Army clique, 27, 206-208, 212, 217-218, 223, 236, 253, 547, 854
- Williams, Elmira M., 639
- Williams, Gladys, 456
- Williams, John, 47
- Williams, William E., 639
- Winckler, Jean-Claude, 843
- Wong Wen-hao: Administrative report to Legislative Yuan, 318-321; Chinese Communist Party relationship to Communist International, 397-400; CCP list of war criminals, inclusion on, 720; Chinese Government policy toward the United States, 544; economic and financial reform measures, 407, 433; Manchuria, political situation in, 396*n*; Minister without portfolio, 673, 678; President of Executive Yuan, 256, 264, 294, 315-316, 433, 461, 678; resignation as President of Executive Yuan, 597, 607; Soviet Union, relations of Chinese Government with, 311-312; U.S. fleet at Tsingtao, question regarding withdrawal of, 544; U.S. military aid and assistance, 544; U.S. Service Attaché planes, ban on flights west of Lanchow, 736
- Wood, Mr., 47
- Woodward, Mr., 768-769, 772, 773*n*, 776
- World Health Organization (WHO), 8
- Wu, K. C. (Wu Kuo-ch'en), 48, 64-65, 74, 76, 83-85, 91, 121, 165, 275-276, 280, 514, 532, 590, 599, 610-611, 719-720
- Wu Ching-chiao, 147
- Wu Ching-tien, 556
- Wu Chung-hsin, 689-690, 706
- Wu Hua-wen, 470, 480
- Wu Kuo-ch'en. *See* Wu, K. C.
- Wu Te-ch'en (Wu T'ieh-cheng, Wu T'ieh-ch'eng), 75, 101, 227, 654, 666-667, 673-674, 678, 686, 689, 694, 698, 720
- Wu Ting-chang, Gen., 69, 72, 706, 720
- Wu Yun-chu, 147
- Yager, Joseph A., 80-83, 136-137
- Yan, Joseph, 639
- Yang Cheng-wu, Gen., 521
- Yang Hsiu-feng, 556
- Yang Jen-hang, 137*n*
- Yang Teh-chih, Gen., 521
- Yang Yun Chun, 269
- Yao I-lin, 556
- Yeh, George K. C., 67, 171*n*, 186, 192, 212-213, 343, 349*n*, 460, 590, 600, 759, 854
- Yeh Chien-ying, Gen., 469, 649
- Yen, C. K., 300
- Yen, James Y. C., 38-39, 225, 300
- Yen, W. W., 55, 630, 667
- Yen Hsi-shan, Marshal, 115, 167-168, 277, 331, 365, 504, 536, 547, 678, 700, 720-722
- Yen Pao-hang, 302
- Yenching University, 328, 420-421, 518, 647-648
- Yin Hsih-peng, 556
- Young China Party, 44, 208-209, 226-228

- | | |
|--|---|
| Yu, David Ta-wei, 269 | Yuan Hung-ta, 122 |
| Yü Chi-shih, 335 | Yuan Shih-kai, 185, 269 |
| Yu Chu-shih, 175 | Yuan Ti-wu, 165 |
| Yu Han-mou, Gen., 231, 241, 332, 448,
630, 720 | Yugoslavia: Cominform resolution
against, 333-334, 347, 353, 377, 398-
399, 441-442, 502 <i>n</i> , 596, 631; situa-
tion in, 523, 696, 713; U.S. aid to,
712 |
| Yu Ta-wei, Gen., 155, 348 <i>n</i> , 460, 678,
741 <i>n</i> | Yui, O. K., 241, 256, 300 |
| Yu Tien-fang, 201 | Yun Tse, 213 |
| Yu Yu-jen, 132-133, 148-149, 155, 160,
204-206 | |



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